



OROVILLE CITY COUNCIL

Council Chambers
1735 Montgomery Street
Regular Meeting

APRIL 19, 2016
CLOSED SESSION 5:00 P.M.
OPEN SESSION 6:00 P.M.
AGENDA

CLOSED SESSION (5:00 P.M.)

ROLL CALL

Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier

CONVENE TO CLOSED SESSION (ITEMS LISTED ON PAGE NO. 4)

RECONVENE TO OPEN SESSION

OPEN SESSION (6:00 P.M.)

PLEDGE OF ALLEGIANCE

PROCLAMATION / PRESENTATION

A Proclamation recognizing *April 2016* as *Sexual Assault Awareness Month*

A Presentation by *Utility Telecom* relating to *Broadband Services*

A Presentation by *Ron Belser, Police Officer*, regarding the *Abatement of Burned-out Homes*

CONSENT CALENDAR

1. **APPROVAL OF THE MINUTES OF APRIL 5, 2015 REGULAR MEETING AND APRIL 12, 2016 SPECIAL MEETING OF THE OROVILLE CITY COUNCIL** – minutes attached

Finance Department

2. **MONTHLY FINANCIAL REPORT AND REPORT OF INVESTMENTS FOR MARCH 2016** – report attached

The Council will receive a copy of the Monthly Financial Report and Report of Investments for March 2016. **(Ruth Wright, Director of Finance)**

Council Action Requested: **Acknowledge receipt of the March 2016 Monthly Financial Report and Report of Investments.**

Community Development Department

3. COMMERCIAL LEASE AGREEMENT WITH RONALD ALEXANDER – staff report

The Council may consider a Commercial Lease Agreement with Ronald Alexander, Executive Director of Love Your Vets, for the rental of a commercial unit at the Historic State Theatre, 1461 Myers Street, Suite 2. **(Donald Rust, Director of Community Development)**

Council Action Requested: **Adopt Resolution No. 8488 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A COMMERCIAL LEASE AGREEMENT WITH RONALD ALEXANDER FOR THE OFFICE SPACE LOCATED AT 1461 MYERS STREET, SUITE 2 – (Agreement No. 3174).**

Business Assistance and Housing Development Department

4. MODIFICATIONS TO HOME INVESTMENT PARTNERSHIP PROGRAM RESOLUTION NO. 8378 – staff report

The Council may consider modifications to the HOME Investment Partnership Program Resolution as required by the State of California Department of Housing and Community Development. **(Amy Bergstrand, Management Analyst III and Donald Rust, Director of Community Development)**

Council Action Requested: **Adopt Resolution No. 8489 – A RESOLUTION OF THE OROVILLE CITY COUNCIL MODIFYING RESOLUTION NO. 8378, AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE HOME INVESTMENT PARTNERSHIP PROGRAM; AND IF SELECTED, THE EXECUTION OF A STANDARD AGREEMENT, ANY AMENDMENTS THERETO, AND OTHER RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE HOME INVESTMENT PARTNERSHIP PROGRAM.**

Administration Department

5. PAYMENT OF CALIFORNIA PUBLIC EMPLOYEE RETIREMENT BENEFITS FOR SEASONAL EMPLOYEE – staff report

The Council may consider the continued to employment of a seasonal part-time employee that will require California Public Employee Retirement System (CalPERS) retirement contributions. **(Liz Ehrenstrom, Human Resource Manager)**

Council Action Requested: **Approve staff to enroll the seasonal employee into the CalPERS retirement system.**

PUBLIC HEARINGS – None

REGULAR BUSINESS

Public Safety Department

6. **BALLOT MEASURE FOR POTENTIAL SALES TAX INCREASE FOR NOVEMBER 2016 GENERAL MUNICIPAL ELECTION** – staff report

The Council will receive a presentation on a potential sales tax increase for the Public Safety Department and may provide direction to staff on how to proceed. **(Bill LaGrone, Director of Public Safety)**

Council Action Requested: **Provide direction, as necessary.**

Finance Department

7. **3RD QUARTER BUDGET REVIEW – JULY 1, 2015 THROUGH MARCH 31, 2016** – staff report

The Council may consider the 3rd Quarter Budget review and adjustments relating to July 1, 2015 through March 31, 2016. **(Ruth Wright, Director of Finance)**

Council Action Requested: **Approve the 3rd Quarter Budget review and adjustments for July 1, 2015 through March 31, 2016.**

Administration Department

8. **RESOLUTION IN OPPOSITION TO THE WATER RATE INCREASE REQUESTED BY CALIFORNIA WATER SERVICE COMPANY FOR CUSTOMERS IN OROVILLE** – staff report

The Council may consider a resolution of the in opposition to the water rate increase requested by California Water Service Company ("Cal Water") for customers in Oroville. **(Scott E. Huber, City Attorney)**

Council Action Requested: **Adopt Resolution No. 8490 – A RESOLUTION OF THE OROVILLE CITY COUNCIL IN OPPOSITION TO THE WATER RATE INCREASE REQUESTED BY CALIFORNIA WATER SERVICE COMPANY FOR CUSTOMERS IN OROVILLE.**

COUNCIL ANNOUNCEMENTS/COMMITTEE REPORTS (A verbal report may be given regarding any committee meetings attended)

CITY ADMINISTRATOR/ ADMINISTRATION REPORTS

- Various Committees – March 2016
- Supplemental Benefits Fund – March 2016

CORRESPONDENCE

- Oroville Elementary School District , received April 4, 2016
- Machel Conn, City of Oroville Arts Commission Chair, received April 8, 2016
- Oroville Area Chamber of Commerce, received April 13, 2016

HEARING OF INDIVIDUALS ON NON-AGENDA ITEMS

CLOSED SESSION

The Council will hold a Closed Session on the following:

1. Pursuant to Government Code section 54957.6, the Council will meet with Labor Negotiators and City Attorney to discuss labor negotiations for the following represented groups: Oroville City Employees Association, Oroville Police Officers' Association – Sworn and Non-Sworn, Oroville Firefighters' Association, and Oroville Management and Confidential Association.
2. Pursuant to Government Code section 54956.9(a), the Council will meet with the Acting City Administrator, and the City Attorney relating to existing litigation: Norman O. Cable v. City of Oroville, et al., Butte County Superior Court, Case No. 164706.
3. Pursuant to Government Code section 54956.9(a), the Council will meet with the Acting City Administrator and City Attorney relating to existing litigation: Bill Webb Construction, et al., v. County of Butte, et al., Butte County Superior Court, Case No. 16CV000186.
4. Pursuant to Government Code section 54956.9(d), the Council will meet with the Acting City Administrator and the City Attorney regarding potential litigation – one case.

ADJOURNMENT

The meeting will be adjourned. A regular meeting of the Oroville City Council will be held on Tuesday, May 3, 2016, at 5:00 p.m.

Accommodating Those Individuals with Special Needs – In compliance with the Americans with Disabilities Act, the City of Oroville encourages those with disabilities to participate fully in the public meeting process. If you have a special need in order to allow you to attend or participate in our public meetings, please contact the City Clerk at (530) 538-2535, well in advance of the regular meeting you wish to attend, so that we may make every reasonable effort to accommodate you. Documents distributed for public session items, less than 72 hours prior to meeting, are available for public inspection at City Hall, 1735 Montgomery Street, Oroville, California.

**CITY COUNCIL MEETING MINUTES
APRIL 5, 2016 – 5:00 P.M.**

The agenda for the April 5, 2016, regular meeting of the Oroville City Council was posted on the bulletin board at the front of City Hall and on the City of Oroville's website located at www.cityoforoville.org on Thursday, March 28, 2015, at 3:45 p.m.

The April 5, 2016 regular meeting of the Oroville City Council was called to order by Mayor Dahlmeier at 5:03 p.m.

ROLL CALL

Present: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox,
Mayor Dahlmeier
Absent: None

Staff Present:

Donald Rust, Director of Community Development
Jamie Hayes, Assistant City Clerk
Allen Byers, Assistant Police Chief
Ruth Wright, Director of Finance
Gary Layman, Chief Building Official

Bill LaGrone, Director of Public Safety
Scott Huber, City Attorney
Karolyn Fairbanks, City Treasurer
Dean Hill, Assistant Fire Chief

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Dahlmeier.

PROCLAMATION / PRESENTATION

Mayor Dahlmeier read aloud a proclamation recognizing the month of April as Child Abuse Prevention Month.

Jack Kiely gave a presentation regarding the Acquisition of a Water Company.

Justin Skarb, California Water Company, gave a presentation regarding Government Takeover of the Local Water System by California Water Company.

RECOGNITION OF INDIVIDUALS WHO WISH TO SPEAK ON AGENDA ITEMS

Alan Cartwright – Item No. 7 and 11
Eric Shanke – Item No. 11

Neal Tyrrell – Item No. 11

CONSENT CALENDAR

A motion was made by Council Member Pittman, seconded by Council Member Del Rosario, to

approve the following Consent Calendar, with exception to Item No. 3:

1. **APPROVAL OF THE MINUTES OF THE MARCH 15, 2016 REGULAR MEETING, MARCH 21, 2016, MARCH 29, 2016 AND MARCH 30, 2016 SPECIAL MEETINGS OF THE OROVILLE CITY COUNCIL** – minutes attached

Finance Department:

2. **MONTHLY FINANCIAL REPORT AND REPORT OF INVESTMENTS FOR FEBRUARY 2016** – report attached

The Council received a copy of the Monthly Financial Report and Report of Investments for February 2016. **(Ruth Wright, Director of Finance)**

Council Action Requested: **Acknowledge receipt of the February 2016 Monthly Financial Report and Report of Investments.**

Community Development Department:

3. **THIS ITEM WAS REMOVED FROM THE CONSENT CALENDAR (SEE BELOW)**
4. **FEE WAIVER REQUEST FOR USE OF THE LOTT HOME/SANK PARK: AAUW ANNUAL TECH TREK PICNIC** – staff report

The Council considered a fee waiver request from the American Association of University Women (AAUW) for use of the Lott Home/Sank Park annual Tech Trek Picnic. **(Donald Rust, Director of Community Development)**

Council Action Requested: **Authorize staff to collect 50% of the fees, in the amount of \$125, and a \$150 refundable deposit, to allow the event and support the American Association of University Women.**

5. **SPECIAL EVENT PERMIT FEE WAIVER REQUEST FOR OROVILLE AIRPORT DAY** – staff report

The Council considered a fee waiver request from the Oroville Foundation of Flight – EAA Chapter 1112, for the fees associated with a special event permit for the Oroville Airport Day. **(Donald Rust, Director of Community Development)**

Council Action Requested: **Authorize staff to collect 50% of the fees, in the amount of \$53 to allow the event to occur and support the Oroville Foundation of Flight – EAA Chapter 1112, and the Oroville Municipal Airport.**

Administration Department:

6. **ADDITIONAL FUNDING FOR CITY MUNICIPAL CODE RECODIFICATION PROJECT** – staff report

The Council considered additional funding for the City Municipal Code Recodification project, in the amount of \$4,534.84. **(Jamie Hayes, Assistant City Clerk and Donald Rust, Director of Community Development)**

Council Action Requested: **Authorize additional funding for the City Municipal Code Recodification project, in the amount of \$4,534.84**

The motion to approve the Consent Calendar was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

ITEMS REMOVED FROM THE CONSENT CALENDAR

Community Development Department:

3. ANNEXATION “WELCOME SPRING” CLEAN-UP – staff report

The Council considered approving the purchase of food items and the rental of a snow cone machine, in an amount not to exceed \$500, for the Annexation “Welcome Spring” Clean-up event for the newly annexed South Oroville community area. **(Bill LaGrone, Director of Public Safety)**

This item was removed from the Consent Calendar at the request of Council Member Hatley, for questions, which were answered by staff.

Following discussion, a motion was made by Council Member Hatley, seconded by Council Member Berry, to:

- 1. Authorize the purchase of food items and the rental of a snow cone machine, in an amount not to exceed \$500, for the Annexation “Welcome Spring” Clean-up event for the newly annexed South Oroville community area; and**
- 2. Authorize the expenditure of \$180 for required demolition permits needed for the demolition of two (2) burned out homes in the newly annexed South Oroville community area during the “Welcome Spring” Clean-up event.**

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

PUBLIC HEARINGS - None

REGULAR BUSINESS

Public Safety Department:

7. BALLOT MEASURE FOR POTENTIAL SALES TAX INCREASE FOR NOVEMBER 2016 GENERAL MUNICIPAL ELECTION – staff report

The Council received a presentation on a potential sales tax increase for the Public Safety Department and may provide direction to staff on how to proceed. **(Bill LaGrone, Director of Public Safety)**

Alan Cartwright posed questions relating to the proposed sales tax measure.

Following discussion, the Council determined that the proposed sales tax increase would be upheld for a term on six years, if approved by voters, terminating in January 2023. The Council also directed staff to develop a citizen oversight board to oversee the expenditures of the proposed sales tax, if approved by voters at the November 8, 2016 General Municipal Election and to return to a future meeting of the Oroville City Council with defined employment positions and governing language relating to the proposed sales tax measure.

8. MEMORANDUM OF UNDERSTANDING WITH THE OROVILLE UNION HIGH SCHOOL DISTRICT FOR A FULL-TIME SCHOOL RESOURCE OFFICER - staff report

The Council considered a Memorandum of Understanding with the Oroville Union High School District for a full-time School Resource Officer. **(Bill LaGrone, Director of Public Safety)**

Bill LaGrone, Director of Public Safety, requested direction from the Council relating to a request from the Oroville High School District to provide a second School Resource Officer for the Las Plumas Campus. The Council directed Mr. LaGrone to meet with the High School District to discuss their request for a second School Resource Officer.

Following discussion, a motion was made by Council Member Simpson, seconded by Council Member Del Rosario, to:

Adopt Resolution No. 8482 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A MEMORANDUM OF UNDERSTANDING WITH THE OROVILLE UNION HIGH SCHOOL DISTRICT FOR ONE FULL-TIME SCHOOL RESOURCE OFFICER – (Agreement No. 1932-7).

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

Finance Department:

9. FUND CLOSURE – staff report

The Council considered closing Fund 276 and the cash balance transfer to the General Fund. **(Ruth Wright, Director of Finance)**

A motion was made by Council Member Del Rosario, seconded by Council Member Pittman, to:

Approve the closure of Fund 276 and transfer the cash balance of \$118,378 to the General Fund.

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor
Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

Community Development Department:

10. SEWER DIVISION EQUIPMENT PURCHASES – staff report

The Council considered the purchase of a Bobcat compact excavator, for a cost not to exceed \$50,061, and a Kenworth 6-yard dump truck, for a cost not to exceed \$98,182, for the Sewer Division. **(Rick Walls, Interim City Engineer and Donald Rust, Director of Community Development)**

A motion was made by Council Member Pittman, seconded by Council Member Del Rosario, to:

- 1. Authorize the purchase of a Bobcat E35 compact excavator, in an amount not to exceed \$50,061, from Bobcat Company, West Fargo, North Dakota through the National Joint Powers Alliance; and**
- 2. Authorize the purchase of a Kenworth T300 dump truck, in an amount not to exceed \$89,682, from French Ellison Truck Center, San Antonio, Texas, through the Houston-Galveston Area Council, and authorize an additional funding amount of \$8,500 to pay sales tax and DMV registration.**

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor
Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

11. **SPENCER AVENUE TRAFFIC SPEED SURVEY** – staff report

The Council considered the results of a traffic speed survey conducted on Spencer Avenue between Wilcox Avenue and Park Avenue. **(Rick Walls, Interim City Engineer and Donald Rust, Director of Community Development)**

Vice Mayor Wilcox recused herself from this item due to a potential conflict of interest.

Neal Tyrrell, Alan Cartwright and Eric Schanke made comments relating to the speed survey conducted on Spencer Avenue between Wilcox Avenue and Park Avenue.

Following discussion, the Council directed staff to install speed bumps and speed indicators along Spencer Avenue to deter traffic from speeding.

12. **JAMBOREE HOUSING CORPORATION FAMILY HOUSING PROJECT; NATIONAL ENVIRONMENTAL POLICY ACT COMPLIANCE** – staff report

The Council received information regarding the \$9,000 expenditure for full compliance with the National Environmental Policy Act (NEPA) of the Affordable Family Housing Project currently being pursued with the assistance of Jamboree Housing Corporation. **(Donald Rust, Director of Community Development)**

Council Action Requested: **None.**

Administration Department:

13. **REAL PROPERTY WAIVER FOR THE FINANCING OF A SOLAR ENERGY SYSTEM FOR THE TABLE MOUNTAIN GOLF CLUB, INC.** staff report

The Council considered a Real Property Waiver for the installation of solar equipment, for a cost of up to \$395,000, for the Table Mountain Golf Club, Inc. **(Scott Huber, City Attorney)**

A motion was made by Council Member Pittman, seconded by Council Member Berry, to:

Adopt Resolution No. 8483 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A REAL PROPERTY WAIVER FOR THE FINANCING OF A SOLAR ENERGY SYSTEM, FOR A COST OF UP TO \$395,000, FOR THE TABLE MOUNTAIN GOLF CLUB, INC. – (Agreement No. 3172).

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

14. AUTHORIZATION TO ALLOW THE MAYOR OR VICE MAYOR TO SIGN SUPPLEMENTAL BENEFITS FUND AGREEMENTS ON BEHALF OF THE FUND ADMINISTRATOR – staff report

The Council considered authorizing the Mayor or Vice Mayor to sign all Supplemental Benefits Fund Agreements on behalf of the Fund Administrator. **(Bob Marciniak, SBF Program Specialist and Donald Rust, Director of Community Development)**

A motion was made by Council Member Pittman, seconded by Council Member Berry, to:

Adopt Resolution No. 8481 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR OR VICE MAYOR TO SIGN ALL SBF AGREEMENTS ON BEHALF OF THE FUND ADMINISTRATOR.

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: None

15. AMENDMENT TO EMPLOYMENT AGREEMENTS WITH DONALD RUST, RUTH WRIGHT AND BILL LAGRONE – staff report

The Council considered Amendments to the Employment Agreements with Donald Rust, Ruth Wright and Bill LaGrone. **(Scott Huber, City Attorney)**

Following discussion, a motion was made by Council Member Del Rosario, seconded by Council Member Pittman, to:

- 1. Adopt Resolution No. 8484 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE AN AMENDMENT TO THE EMPLOYMENT AGREEMENT BETWEEN THE CITY OF OROVILLE AND DONALD RUST – (Agreement No. 1974-6).**
- 2. Adopt Resolution No. 8485 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE AN AMENDMENT TO THE EMPLOYMENT AGREEMENT BETWEEN THE CITY OF OROVILLE AND RUTH WRIGHT – (Agreement No. 3093-1).**
- 3. Adopt Resolution No. 8486 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE AN AMENDMENT TO THE EMPLOYMENT AGREEMENT BETWEEN THE CITY OF OROVILLE AND BILL LAGRONE – (Agreement No. 1969-7).**

The motion was passed by the following vote:

Ayes: Council Members Berry, Del Rosario, Pittman, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: Council Members Hatley, Simpson

Abstain: None
Absent: None

MAYOR/ COUNCIL REPORTS

Council Member Pittman reported that a California Public Utilities Commission public hearing would be held on Tuesday, April 26, 2016, at Manzanita Place, 1705 Manzanita Avenue, Chico, California, at 6:00 pm, regarding California Water Service's rate change request.

Mayor Dahlmeier gave a report regarding the City's State of the City Address, which was held on Friday, April 1, 2016, at the Oroville State Theatre.

CITY ADMINISTRATOR/ ADMINISTRATION REPORTS

Donald Rust, Director of Community Development, reported on the following:

- Butte County Homeless Forum to be held April 15, 2016
- Updates to Docent Program Application to include Neighborhood Volunteers
- Butte County Public Health Request to Feed the Homeless
- Sidewalk Issues on Grand Avenue

CORRESPONDENCE

- Pacific Gas & Electric Company, received March 22, 2016
- DeLong's Heritage Heating, received March 31, 2016

RECOGNITION OF INDIVIDUALS WHO WISH TO SPEAK ON NON-AGENDA ITEMS

Alan Cartwright made comments relating to City trees.

Celia Hirshman made comments and expressed concerns relating to California Water Service's rates.

Tasha Levinson made comments relating to newly planted City trees and unsatisfactory phone service for the Municipal Law Enforcement Division.

Janet Goodson made comments regarding a South Oroville Alley Project Fund to ensure safety standards for the community.

CLOSED SESSION

The Council held a Closed Session on the following:

1. Pursuant to Government Code section 54957.6, the Council met with Labor Negotiators and City Attorney to discuss labor negotiations for the following represented groups: Oroville Police Officers' Association – Sworn and Non-Sworn, Oroville Firefighters' Association, and

the Oroville Management and Confidential Association.

2. Pursuant to Government Code section 54957(b), the Council met with Acting City Administrator, Personnel Officer, and City Attorney to consider the evaluation of performance related to the following position: Deputy Fire Chief.
- 3 Pursuant to Government Code section 54956.9(a), the Council met with Acting City Administrator and City Attorney relating to existing litigation: Bill Webb Construction, et al., v. County of Butte, et al., Butte County Superior Court, Case No. 16CV000186.
4. Pursuant to Government Code section 54956.9(a), the Council met with Acting City Administrator and City Attorney relating to existing litigation: Randolph Murphy v. City of Oroville, Butte County Small Claims Court Case No. DSC 09843.
5. Pursuant to Government Code section 54956.95, the Council met with the Acting City Administrator, Personnel Officer and City Attorney relating to Worker's Compensation Claim No. NCWA-556623.
6. Pursuant to Government Code section 54956.95, the Council met with the Acting City Administrator, Personnel Officer and City Attorney relating to Worker's Compensation Claim No. NCWA-556254.
7. Pursuant to Government Code section 54956.95, the Council met with the Acting City Administrator and City Attorney regarding potential litigation – one case.

Mayor Dahlmeier announced that there were no reportable actions taken in Closed Session and direction had been given to staff.

ADJOURNMENT

The meeting was adjourned at 8:53 p.m. A special meeting of the Oroville City Council will be held on Tuesday, April 12, 2016, at 10:00 a.m.

Donald Rust, Acting City Clerk

Linda L. Dahlmeier, Mayor

**OROVILLE CITY COUNCIL SPECIAL MEETING MINUTES
APRIL 12, 2016 – 10:00 A.M.**

The agenda for the April 12, 2016 special meeting of the Oroville City Council was posted on the bulletin board at the front of City Hall, and on the City of Oroville's website located at www.cityoforoville.org on Friday, April 8, 2016 at 1:16 p.m.

The April 12, 2016 special meeting of the Oroville City Council was called to order by Mayor Dahlmeier at 10:06 a.m.

ROLL CALL

Present: Council Members Berry (arrived late), Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Absent: None

SPECIAL BUSINESS

1. OUTSIDE SEWER SERVICE AGREEMENT WITH LYNETTE WADE – staff report

The Council considered an Outside Sewer Service Agreement with Lynette Wade. **(Rick Walls, Interim City Engineer and Donald Rust, Director of Community Development)**

Following discussion, a motion was made by Council Member Pittman, seconded by Council Member Hatley, to:

Adopt Resolution No. 8487 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE AN AGREEMENT FOR SEWER SERVICE AND IRREVOCABLE PETITION FOR ANNEXATION WITH LYNETTE WADE FOR THE PROPERTY LOCATED AT 67 RIVERVIEW TERRACE (APN 031-090-005) – (Agreement No. 3173).

The motion was passed by the following vote:

Ayes: Council Members Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier
Noes: None
Abstain: None
Absent: Council Member Berry

2. DEVELOPMENT OF PRIORITY LIST FOR THE USE OF EXCESS BOND PROCEEDS – staff report

The Council provided direction for the development of a priority list for the approximately \$3,395,434 of excess bond proceeds to the City of Oroville for implementation of projects consistent with the original bond covenants. **(Donald Rust, Director of Community Development, Rick Farley, RDA Coordinator and Dawn Nevers, Assistant Planner)**

3. REVIEW OF THE PRELIMINARY ANNUAL BUDGET FOR FISCAL YEAR 2016/17 AND DISCUSSION OF CITY COUNCIL GOALS FOR BUDGET PREPARATION

The Council reviewed the Preliminary Annual Budget for fiscal year 2016/17 and discussed City Council goals for the preparation of the Budget. **(Donald Rust, Director of Community Development)**

ADJOURNMENT

The meeting was adjourned at 2:48 p.m. to a regular meeting of the Oroville City Council to be held on Tuesday, April 19, 2016, at 5:00 p.m.

Donald Rust, Acting City Clerk

Linda L. Dahlmeier, Mayor

**REPORT OF
INVESTMENTS**

MARCH 2016

CITY OF OROVILLE/OROVILLE SUCCESSOR AGENCY

MONTHLY SUMMARY OF INVESTMENTS

March 2016

CERTIFICATION:

I certify that the information provided above is correct to the best of my knowledge and that (1) all investments are made in accordance with the investment policy and the laws of the State of California and (2) that sufficient funds are available to meet the anticipated expenditures for the next six months.



Ruth Wright, Director of Finance

4/13/16

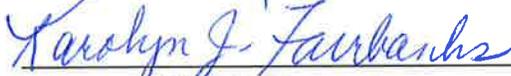
Date



Don Rust, Acting City Administrator

04.13.16

Date



Karolyn J. Fairbanks, City Treasurer

4-12-16

Date



4/16/2016

City of Oroville Investment Portfolio Report				
Summary of Investments				
	Yield	Feb-16	Yield	Mar-16
Local Agency Investment Fund (LAIF)	0.467%	23,470,559	0.506%	22,170,559
Bank of the West Operating Account	0.00%	1,745,289	0.00%	1,722,837
Total Pooled Investments		23,429,334		23,893,396
City Investment Portfolio - Investments Held in Trust				
	Yield to Maturity			Market Value
Series 2015 A & B 2004 B Escrow Account				
Uninvested Cash	0.000%			231
US Treasury	0.370%			7,013
US Treasury	0.870%			294,738
Bank of the West Certificates of Deposit	NEW			200,000
Bank of the West Certificates of Deposit	NEW			200,000
Bank of the West Certificates of Deposit	NEW			200,000
Bank of the West Certificates of Deposit	NEW			200,000
Total				1,101,982

**MONTHLY FINANCIAL
REPORT**

MARCH 2016

**REPORT OF
BUDGETED APPROPRIATIONS
VS.
ACTUAL EXPENDITURES
AND
ACTUAL REVENUES**

MARCH 2016



CITY OF OROVILLE, CALIFORNIA
FINANCIAL SUMMARY
FOR THE PERIOD ENDED
March 31, 2016

	REVENUES					EXPENDITURES				
	Actual March 2016	YTD	Budget Total Year 2015- 2016	Remaining Budget	% of year Remaining 25%	Actual March 2016	YTD	Budget Total Year 2015- 2016	Remaining Budget	% of year Remaining 25%
CITY DEPARTMENTS										
GENERAL FUND										
City Council	-	-	-	-	-	12,017	102,140	135,780	33,640	25%
Mayor	-	-	-	-	-	3,195	24,346	34,382	10,036	29%
City Attorney	-	-	-	-	-	33,184	171,399	242,000	70,601	29%
City Clerk	-	24	-	(24)	-	7,887	132,764	185,167	52,403	28%
Human Resources	-	-	-	-	-	9,689	97,325	141,270	43,945	31%
Personnel	-	-	-	-	-	-	544	50,000	49,456	99%
City Admin.	-	-	-	-	-	-	7,822	8,153	331	4%
Economic Develop./Comm. Enh.	-	-	-	-	-	2,361	35,687	58,792	23,105	39%
Information Technology	-	-	-	-	-	19,626	278,677	408,681	130,004	32%
Finance	411	893	500	(393)	-	43,975	395,716	592,291	196,575	33%
Post Employment Costs	379	3,600	5,500	1,900	35%	6,216	48,356	60,711	12,355	20%
City Treasurer	-	-	-	-	-	3,331	24,120	33,576	9,456	28%
Planning	6,646	137,313	158,517	21,204	13%	19,799	150,732	269,214	118,482	44%
City Hall	1,347	8,300	10,000	1,700	17%	9,197	84,148	94,061	9,913	11%
Arline Rhyne	898	6,031	7,850	1,819	23%	889	6,857	9,135	2,278	25%
Fire Department	64,126	102,597	152,280	49,683	33%	180,841	1,847,354	2,512,259	664,905	26%
Police Department	13,821	1,035,748	1,242,929	207,181	17%	456,592	4,156,457	5,754,185	1,597,728	28%
Building/Code Enforcement	53,740	467,552	488,050	20,498	4%	28,863	353,174	463,940	110,766	24%
Public Works Admin.	4,946	251,589	157,007	(94,582)	-	8,788	128,731	134,754	6,023	4%
Streets/Storm	58,590	357,755	684,119	326,364	48%	91,061	748,766	914,228	165,462	18%
Parks & Trees	1,061	11,379	41,153	29,774	72%	35,504	405,710	676,274	270,564	40%
Pioneer Museum	245	822	1,512	691	46%	2,108	2,292	5,200	2,908	56%
Bolt's Museum	410	4,130	4,500	371	8%	609	6,943	9,700	2,757	28%
Chinese Temple	930	5,074	7,750	2,676	35%	4,754	50,695	47,828	(2,867)	-
Lott Home	688	9,006	8,450	(556)	-	4,663	37,942	54,771	16,829	31%
State Theater	1,704	12,923	12,300	(623)	-	27,830	41,182	35,900	(5,282)	-
Liability/Property Insurance	-	-	-	-	-	-	239,120	268,945	29,825	11%
Non Departmental*	526,749	6,194,054	10,358,177	4,164,123	40%	3,431	187,190	189,397	2,207	1%
Totals	736,689	8,608,789	13,340,594	4,731,805	35%	1,016,408	9,766,187	13,390,594	3,624,407	27%

* Revenues include Property Tax, Utility Users, Transient Occupancy, Motor Vehicle, and Proceeds of Property Sales. Expenditures include salary expenses, capital projects and charges for Butte County Services.

CITY OF OROVILLE

EXPENSE REPORT ALL BUDGETED FUNDS March 2016

FUND Description	Actual March 2016	Year To Date Actual	Budget Total Year 2015-2016	Remaining Budget	25% of year Remaining Actual to Budget
001 General Fund	1,016,408	9,766,187	13,390,594	3,624,407	27%
100 Comm. Promotion	-	7,750	25,000	17,250	69%
101 Sewer Fund	69,498	2,849,168	4,043,438	1,194,270	30%
104 SWRCON/FEE FUND	-	2,716	100	(2,616)	-
105 Drainage Fees	-	2,716	175,000	172,285	98%
106 Park Dev Fees	34,250	64,429	40,500	(23,929)	-
108 Traffic Impact	-	433,002	10,000	(423,002)	-
109 DRAINAGE/CTYWDE	-	2,716	156,000	153,284	98%
111 LOCAL TRANSP	-	138,118	138,026	(92)	-
112 GAXTX RSTP FUND	-	-	566,501	566,501	100%
113 CANINE FUND	314	11,477	5,700	(5,777)	-
116 TECH FEE FUND	9,181	51,338	27,000	(24,338)	-
118 SB1186 C/FUND	-	7	40	33	83%
119 RECYCLING FUND	5,409	72,663	76,555	3,892	5%
120 GTx 2107/2107.5	20,903	90,358	100,000	9,642	10%
125 GTx 2106 Fund	11,667	52,106	60,000	7,894	13%
127 Gas Tax 2105	26,020	133,243	250,600	117,357	47%
130 Spec. Aviation	32,593	459,204	576,924	117,720	20%
140 Housing Admin	33,531	351,521	-	(351,521)	-
141 HSG PRG FUND	3,535	92,067	-	(92,067)	-
149 HOME FUND	8,423	292,528	-	(292,528)	-
150 CDBG Fund	184,100	2,087,712	5,163,503	3,075,791	60%
151 EDBG FUND	-	200,058	300,000	99,942	33%
155 Asset Seizure	-	22,000	-	(22,000)	-
156 Pub Sfty Aug	-	105,000	105,000	-	-
157 SUPPLAWENFORCMT	-	105,000	105,000	-	-
158 L.L.E.BLOCK GRT	158	42,194	184,100	141,906	77%
159 LAW ENF.IMP.FEE	-	2,716	2,500	(216)	-
160 MISC FUND	2,055	644,884	100,250	(544,634)	-
163 FIRE SUP IMPFEE	-	8,368	4,500	(3,868)	-
165 CONTINGENCY FD	-	272,568	-	(272,568)	-
166 GRANT-FIRE FUND	13,576	236,285	191,805	(44,480)	-
168 PEG FEE FUND	753	6,773	-	(6,773)	-
169 GEN GOVT DEVIMP	-	2,715	2,000	(715)	-
184 LLMD ALL ZONES	2,077	20,328	43,712	23,384	53%
185 BAD ALL ZONES	177	3,914	11,806	7,892	67%
186 WESTSIDEPUB/S/F	-	180	800	620	77%
187 PUB/SAFETY SERV	-	180	400	220	55%
190 SUPPBENEFITFUND	9,559	425,244	378,454	(46,790)	-
198 SUCCESSOR	370,719	2,021,399	1,966,986	(54,413)	-
230 CITY DEBT SERV	-	747,471	726,806	(20,665)	-
276 OAD93-1 Dbt Ser	-	36,328	-	(36,328)	-
305 Equip Replcmnt	-	160	123,115	122,955	100%
307 CAPITAL PROJ	-	632,364	-	(632,364)	-
410 Local Transit	1,020	537,617	566,501	28,884	5%
440 BUSINESS DEVCTR	640	11,944	17,000	5,056	30%
450 CTY/HOUSG EDRLF	25,000	76,137	130,000	53,863	41%
451 CDBG EcoDev RLF	-	7,175	687	(6,488)	-
453 MICRO-ENP RLF	82,870	620,922	5,868,558	5,247,636	89%
454 CAL-HOME RLF	-	-	52,000	52,000	100%
455 HOME Hsg RLF	-	101,029	-	(101,029)	-
458 RBEG	-	-	7,980	7,980	100%
460 City RLF	5,085	8,205	-	(8,205)	-
520 Stores Revolv.	1,546	35,691	49,000	13,309	27%
540 Veh Maint Fund	32,715	353,073	490,403	137,330	28%
550 Wrks Comp.	-	295,079	486,767	191,688	39%
552 UNEMP-SELF INS	-	36,910	45,000	8,090	18%
555 SELF INS VISION	860	32,589	45,500	12,911	28%
Total All Funds	2,004,641	24,613,525	36,812,111	12,198,586	33%

CITY OF OROVILLE

REVENUE REPORT ALL BUDGETED FUNDS MARCH 2016

FUND Description	Actual March 2016	Year To Date Actual	Budget Total Year 2015-2016	Remaining Budget	25% of year Remaining Actual to Budget
001 General Fund	736,689	8,608,789	13,340,594	4,731,805	35%
100 Comm. Promotion	-	11,027	13,500	2,473	18%
101 Sewer Fund	-	1,970,139	3,595,127	1,624,988	45%
104 SWRCON/FEE FUND	-	49,452	50,188	736	1%
105 Drainage Fees	2,646	6,081	4,350	(1,731)	-
106 Park Dev Fees	26,866	57,751	45,112	(12,639)	-
108 Traffic Impact	13,832	1,005,556	73,831	(931,725)	-
109 DRAINAGE/CTYWDE	-	118,001	75,350	(42,651)	-
111 LOCAL TRANSP	-	68	50	(18)	-
112 GAXTX RSTP FUND	-	169,572	547,711	378,139	69%
113 CANINE FUND	3,746	4,359	8,523	4,164	49%
116 TECH FEE FUND	7,205	111,877	25,071	(86,806)	-
118 SB1186 C/FUND	62	981	1,203	222	18%
119 RECYCLING FUND	-	6,593	58,182	51,589	89%
120 GTx 2107/2107.5	20,903	90,358	100,000	9,642	10%
125 GTx 2106 Fund	11,667	52,106	60,030	7,924	13%
127 Gas Tax 2105	26,020	133,243	250,641	117,398	47%
130 Spec. Aviation	69,712	432,525	485,561	53,036	11%
140 Housing Admin	32,055	330,095	-	(330,095)	-
141 HSG PRG FUND	1,326	220,318	-	(220,318)	-
149 HOME FUND	-	129,729	-	(129,729)	-
150 CDBG Fund	250,000	1,364,059	5,161,201	3,797,142	74%
151 EDBG FUND	-	200,058	300,000	99,942	33%
155 Asset Seizure	-	31	40	9	23%
156 Pub Sfty Aug	-	63,983	100,000	36,017	36%
157 SUPPLAWENFORCMT	10,525	94,424	95,024	600	1%
158 L.L.E.BLOCK GRT	4,575	30,233	176,000	145,767	83%
159 LAW ENF.IMP.FEE	3,262	17,199	5,050	(12,149)	-
160 MISC FUND	49,147	124,865	100,000	(24,865)	-
163 FIRE SUP IMPFEE	4,046	11,802	2,550	(9,252)	-
166 GRANT-FIRE FUND	317,405	317,405	191,805	(125,600)	-
168 PEG FEE FUND	-	14,551	18,130	3,579	20%
169 GEN GOVT DEVIMP	7,945	25,624	6,515	(19,109)	-
184 LLMD ALL ZONES	-	8,102	15,513	7,411	48%
185 BAD ALL ZONES	-	77	77	(0)	-
186 WESTSIDEPUB/S/F	-	40,818	58,280	17,462	30%
187 PUB/SAFETY SERV	-	40,818	58,150	17,332	30%
190 SUPPBENEFITFUND	-	100,598	297,021	196,423	66%
198 SUCCESSOR	-	1,647,127	1,351,200	(295,927)	-
230 CITY DEBT SERV	36,256	671,069	851,874	180,805	21%
305 Equip Replcmnt	-	-	300	300	100%
307 CAPITAL PROJ	-	404,113	-	(404,113)	-
395 2004 CONST.BOND	-	-	3,167	3,167	100%
396 BOND FUND 2002	-	-	416	416	100%
410 Local Transit	70,235	560,731	686,904	126,173	18%
440 BUSINESS DEVCTR	523	6,913	-	(6,913)	-
450 CTY/HOUSG EDRLF	-	21,527	130,047	108,520	83%
451 CDBG EcoDev RLF	-	7,175	-	(7,175)	-
453 MICRO-ENP RLF	-	490,517	577,000	86,483	15%
454 CAL-HOME RLF	-	85,771	52,200	(33,571)	-
455 HOME Hsg RLF	-	47,049	400	(46,649)	-
458 RBEG	-	3,588	-	(3,588)	-
460 City RLF	-	61	80	19	23%
520 Stores Revolv.	-	18,057	29,000	10,943	38%
540 Veh Maint Fund	-	338,342	493,948	155,606	32%
550 Wrkrs Comp.	24,445	254,013	421,961	167,948	40%
552 UNEMP-SELF INS	36,073	59,532	30,100	(29,432)	-
555 SELF INS VISION	3,810	32,914	40,000	7,086	18%
620 Special Deposit	-	4	-	(4)	-
Total All Funds	1,770,976	20,611,768	29,988,977	9,377,209	31%

**OROVILLE CITY COUNCIL
STAFF REPORT**

TO: MAYOR AND COUNCIL MEMBERS

**FROM: DONALD L. RUST, DIRECTOR (530) 538-2433
COMMUNITY DEVELOPMENT DEPARTMENT**

RE: COMMERCIAL LEASE AGREEMENT WITH RONALD ALEXANDER

DATE: APRIL 19, 2016

SUMMARY

The Council may consider a Commercial Lease Agreement with Ronald Alexander, Executive Director of Love Your Vets, for the rental of a commercial unit at the Historic State Theatre, 1461 Myers Street, Suite 2.

DISCUSSION

On May 5, 2015, the City Council entered into a one year Lease Agreement (**Attachment A**) with Sateh Sam Hasroun, publisher of The Digger Shopper and News, for the rental of a commercial unit at the Historic State Theatre, 1461 Myers Street – Suite 2. On March 29, 2016, Mr. Hasroun submitted a letter (**Attachment B**) to the City giving notice to not exercise his option to renew his lease and indicating that he is no longer the owner of The Digger Shopper and News.

The new owner, Ronald Alexander, has approached the City requesting to enter into a new lease for the unit. Mr. Alexander is the Executive Director of the “Love Your Vets” non-profit organization. If the Lease Agreement is approved, the Love Your Vets logo will adorn the windows of the lease space and the unit will be used as the office for “The Veteran News and Shopper” (formerly the Digger) and “The Source – Oroville Business Directory.”

The recommended terms of the new Lease Agreement are the same as the terms in the Agreement entered into with Mr. Hasroun. A summary of the Agreement is as follows:

Premises: 1461 Myers – Suite 2, approximately 615 sq. ft. (\$0.75 per sq.ft.)

Lease Term: 1 year with an option to renew annually for 2 years

Rent: \$461.25 per month / \$5,535 per year

Security Deposit: \$1,200

Mr. Alexander has indicated that no tenant improvements are currently proposed. Any future alterations, additions, or improvements made by or on behalf of tenant to the unit shall be subject to the City's prior written consent.

FISCAL IMPACT

The tenant will provide monthly rental payments in the amount of \$461.25 to the City's General Fund for the term of the Agreement, initially one year, with the potential for two one year renewals.

RECOMMENDATIONS

Adopt Resolution No. 8488 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A COMMERCIAL LEASE AGREEMENT WITH RONALD ALEXANDER FOR THE OFFICE SPACE LOCATED AT 1461 MYERS STREET, SUITE 2 – (Agreement No. 3174)

ATTACHMENTS

- A – Agreement No. 3118 (Previous)
- B – Letter: Notice to Terminate Lease
- C – State Theatre Commercial Units: Floor Plan
- D – Resolution No. 8488
- E – Agreement No. 3174



CITY OF OROVILLE PUBLIC FACILITY
LEASE AGREEMENT

THIS LEASE AGREEMENT is made this 5th day of May, 2015, between the City of Oroville ("Landlord"), and Sateh Sam Hasroun ("Tenant").

BUSINESS TERMS

Landlord: CITY OF OROVILLE

Tenant: SATEH SAM HASROUN

Premises: Historic State Theater (APN: 012-093-008-000)
1461 Myers – Suite 2, approximately 615 sq. ft.

Permitted Use: See Table 26-33.010-1 of the Oroville Municipal Code
"Allowed Uses in Commercial and Mixed-Use Districts"

Current Zoning: Limited Commercial (C-1)

Term: 1 Year, 0 months, plus an option to renew annually for 2
years, 0 months lease.

Renewal Option: The two (1) year options shall not be subject to a market
rate adjustment. A market rate adjustment shall be applied
upon a renewal of lease agreement at the beginning of Year
four.

Base Rent: \$461.25 per month

Deal NPV \$5,535 (\$461.25 x 12 months)

Percentage Rent: NONE

Net Lease: Tenant is to pay pro rata share for all taxes, insurances, and
common area maintenance charges as subject to Paragraphs
6, 8, and 9.

The tenant is responsible for all occupancy costs for the
Premise as subject to Paragraph 7.

Security Deposit: \$1,200

Security Deposit is held to mitigate damage that may result
to the Premise from business operations as subject to

Paragraph 5. Deposit is returned in full with no interest when Premise has been vacated and inspected by the City of Oroville to assess its condition.

Rent Commencement: Rent, as subject to Paragraph 4, shall commence 45 days following execution of this Lease Agreement. Tenant shall pay Landlord its pro-rata share of rent for the first month rent commences for the Premise.

Possession: At execution of Lease Agreement by all parties, which requires approval of the City Council.

Condition of Premises: Notwithstanding the "Construction Allowance" section, the Landlord is to provide Tenant the Premises in its "as is" condition as subject to Paragraph 2. Tenant is willing to take the Premises in "as is" condition subject to conducting a thorough assessment of the condition of the Premises by Tenant's contractors to determine if the "Construction Allowance" as set forth herein will be adequate to bring the Premises into good working order.

Any additional improvements over and above the "Construction Allowance" shall be at Tenant's sole cost and expense as subject to Paragraph 13. A Tenant Improvement Plan shall be submitted to the City for approval prior to work being performed.

Construction Allowance: Not applicable. All associated costs with the mutually agreed upon Tenant improvements, and required permits, shall be the responsibility of the Tenant. The Tenant may be credited a maximum of 3 months in rent (\$1,383.75) to recoup the cost of mutually agreed upon Tenant improvements (material and labor). Any cost to the Tenant for improvements in excess of \$1,383.75 shall be at the sole expense of the Tenant.

Building Signage: Signage shall be in conformance with the State Theatre sign criteria, the Zoning Code, all applicable sign regulations, and approved by the Landlord prior to installation or placement. All signage shall be at Tenant's expense.

1. **Granting Clause.** In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease.

2. **Acceptance of Premises.** Tenant shall accept the Premises in its condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. Except as provided in Paragraph 11, in no event shall Landlord have any obligation for any defects in the Premises or any limitation on its use. The taking of possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken except for items that are Landlord's responsibility under Paragraph 11.

3. **Use.** The Premises shall be used only for the purpose of receiving, storing, shipping and selling of products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. Tenant must comply with the City Zoning Code and all applicable portions of the City Municipal Code. Tenant shall not conduct or give notice of any auction, liquidation, or going out of business sale on the Premises, without Landlord's prior written consent, which Landlord shall not unreasonably withhold. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises or subject the Premises to use that would damage the Premises. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any tenants of the Premises. Tenant, at its sole expense, shall use and occupy the Premises in compliance with all laws, including, without limitation, the Americans With Disabilities Act, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises (collectively, "Legal Requirements") unless such Legal Requirements are met due to their "grandfathered" nature. Tenant shall, at its expense, make any alterations or modifications, within or without the Premises, that are required by Legal Requirements related to Tenant's use or occupation of the Premises unless such Legal Requirements are met due to their "grandfathered" nature. Tenant must receive Landlord's written authorization and approval for all alteration or modifications to the Premises.

4. **Base Rent.** Tenant shall pay Base Rent in the amount set forth above. The first month's Base Rent, the Security Deposit, and the first monthly installment of estimated Operating Expenses (as hereafter defined) shall be due and payable on the date hereof, and Tenant promises to pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month succeeding the Commencement Date. Payments of Base Rent for any fractional calendar month shall be prorated. All payments required to be made by Tenant to Landlord hereunder (or to such other party as Landlord may from time to time specify in writing) shall be made by check of immediately available funds before 4:00 p.m., Pacific Time, at the City of Oroville, Finance Department, 1735 Montgomery Street, Oroville, California, 95965, or as Landlord may from time to time designate to Tenant in writing. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any rent due hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent for more than 5 business days, Tenant shall pay to Landlord on demand a late charge equal to 5 percent of such delinquent sum. The provision for such late charge shall be in

addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty.

5. **Security Deposit.** Tenant shall deposit with the Landlord the sum set forth above as "Security Deposit" in three monthly installments of \$400. The first monthly installment shall be due concurrently with the execution of this Lease. The second and third monthly installments shall be due with Tenant's payments beginning with the commencement of rent. The security deposit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions to be performed by Tenant. The security deposit shall not be assigned, transferred or encumbered by Tenant, and any attempt to do so shall not be binding upon Landlord. If, at any time during the term of this Lease, any rent or portion of any rent payable by Tenant to Landlord shall not be timely paid, then, Landlord may, at its option (but shall not be required to), appropriate and apply any portion of the security deposit to the payment of such overdue rent. Under no circumstances shall Tenant apply the security deposit as Rent for the final months of the Lease. In the event of the failure of Tenant to keep and perform any of the terms, covenants and conditions of this Lease to be kept and performed by Tenant, then, at the option of Landlord, Landlord may (but shall not be required to) appropriate and apply the security deposit, or so much so as may be necessary, to compensate Landlord for all loss or damage sustained or suffered by Landlord due to such default on the part of Tenant. Should the entire security deposit, or any portion thereof, be appropriated and applied by Landlord for the purposes set forth herein, or for any other lawful purpose, then Tenant shall, within 10 days after written demand by Landlord, deliver to Landlord a sufficient sum in cash to restore the security deposit to the original sum of the security deposit. Landlord shall not be obligated to keep the security deposit in a separate fund, but may commingle the security deposit with its own funds. The failure of Tenant to maintain the security deposit in the initial amount as stated above shall constitute a failure to pay rent and shall carry with it the consequences set forth in this Lease for failure to pay rent. Upon expiration of the Lease, the security deposit, if not applied toward the payment of Rent in arrears or toward the payment of damages suffered by Landlord by reason of Tenant's breach of this Lease, is to be returned to Tenant without interest, but in no event shall the security deposit be returned until Tenant has vacated the Leased Premises, delivered possession thereof to Landlord, and fully satisfied Tenant's obligations under this Lease.

6. **Operating Expense Payments.** Intentionally Omitted.

7. **Utilities.** Tenant shall pay for all water, gas, electricity, heat, light, power, telephone, sprinkler services, refuse and trash collection, and other utilities and services used on the Premises, all maintenance charges for utilities, and any other similar charges for utilities imposed by any governmental entity or utility provider, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Landlord may cause at Tenant's expense any utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay its share of all charges for jointly metered utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of utilities shall result in the termination of this Lease or the abatement of rent.

8. **Taxes.** If any such tax or excise is levied or assessed directly against Tenant, including but not limited to possessory tax, then Tenant shall be responsible for and shall

pay the same at such times and in such manner as the taxing authority shall require. Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises, whether levied or assessed against Landlord or Tenant.

TENANT INITIALS _____

9. **Insurance.** Landlord shall maintain all risk property insurance covering the full replacement cost of the Building. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, commercial liability insurance and rent loss insurance. All such insurance shall be included as part of the Operating Expenses charged to Tenant. The Premise or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Premise or Building will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its expense, shall maintain during the Lease Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial liability insurance, with a minimum limit of \$1,000,000 per occurrence and a minimum umbrella limit of \$1,000,000, for a total minimum combined general liability and umbrella limit of \$2,000,000 (together with such additional umbrella coverage as Landlord may reasonably require) for property damage, personal injuries, or deaths of persons occurring in or about the Premises. Landlord may from time to time require reasonable increases in any such limits. The commercial liability policies shall name Landlord as an additional insured, insure on an occurrence and not a claims-made basis, be issued by insurance companies which are reasonably acceptable to Landlord, not be cancelable unless 30 days' prior written notice shall have been given to Landlord, contain a hostile fire endorsement and a contractual liability endorsement and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). SUCH POLICIES OR CERTIFICATES THEREOF SHALL BE DELIVERED TO LANDLORD BY TENANT UPON COMMENCEMENT OF THE LEASE TERM AND UPON EACH RENEWAL OF SAID INSURANCE.

The all-risk property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, their officers, directors, employees, managers, agents, invitees and contractors, in connection with any loss or damage thereby insured against. Neither party nor its officers, directors, employees, managers, agents, invitees or contractors shall be liable to the other for loss or damage caused by any risk coverable by all risk property insurance, and each party waives any claims against the other party, and its officers, directors, employees, managers, agents, invitees and contractors for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its agents, employees and contractors shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant

resulting from any accident or occurrence in or upon the Premises from any cause whatsoever, including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its agents, employees or contractors.

10. **Construction Allowance.** All construction costs associated with the mutually agreed Tenant Improvements and required permits will be handled by the Tenant.

11. **Landlord's Repairs.** Landlord shall maintain, at its expense, the structural soundness of the roof, foundation, and exterior walls of the Building in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents and contractors excluded. The term "walls" as used in this Paragraph 11 shall not include windows, glass or plate glass, doors or overhead doors, special store fronts, or office entries. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph 11, after which Landlord shall have a reasonable opportunity to repair.

12. **Tenant's Repairs.** Landlord, at Tenant's expense as provided in Paragraph 6, shall maintain in good repair and condition. Subject to Landlord's obligation in Paragraph 11 and subject to Paragraphs 9 and 16, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises and all areas, improvements and systems exclusively serving the Premises including, without limitation, entries, doors, ceilings, windows, interior walls, and the interior side of demising walls. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. The scope of services and contractors under such maintenance contracts shall be reasonably approved by Landlord. If Tenant fails to perform any repair or replacement for which it is responsible, Landlord may perform such work and be reimbursed by Tenant within 10 days after demand therefore. Subject to Paragraphs 9 and 16, Tenant shall bear the full cost of any repair or replacement to any part of the Building or Premise that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

13. **Tenant-Made Alterations and Trade Fixtures.** Any alterations, additions, or improvements made by or on behalf of Tenant to the Premises ("Tenant-Made Alterations") shall be subject to Landlord's prior written consent. Tenant shall cause, at its expense, all Tenant-Made Alterations to comply with insurance requirements and with Legal Requirements and shall construct at its expense any alteration or modification required by Legal Requirements as a result of any Tenant-Made Alterations. All Tenant-Made Alterations shall be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant-Made Alterations shall be submitted to Landlord for its approval. Landlord may monitor construction of the Tenant-Made Alterations. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord sworn statements

setting forth the names of all contractors and subcontractors who did work on the Tenant-Made Alterations and final lien waivers from all such contractors and subcontractors. Upon surrender of the Premises, all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant-Made Alterations. Tenant shall repair any damage caused by such removal.

Tenant, at its own cost and expense and without Landlord's prior approval, may paint interior spaces, erect such shelves, bins, machinery and trade fixtures (collectively "Trade Fixtures") in the ordinary course of its business provided that such items do not alter the basic character of the Premises, do not overload or damage the Premises, and may be removed without injury to the Premises, and the construction, erection, and installation thereof complies with all Legal Requirements and with Landlord's requirements set forth above. Tenant shall remove its Trade Fixtures and shall repair any damage caused by such removal.

14. **Signs.** Tenant shall not make any changes to the exterior of the Premises, install any exterior lights, decorations, balloons, flags, pennants, banners, or painting, or erect or install any signs, windows or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises, without Landlord's prior written consent. Upon surrender or vacation of the Premises, Tenant shall have removed all signs and repair, paint, and/or replace the building fascia surface to which its signs are attached. Tenant shall obtain all applicable governmental permits and approvals for sign and exterior treatments. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Premises shall be subject to Landlord's approval and conform in all respects to Landlord's requirements.

15. **Parking.** No off-street parking is provided by Landlord. Public parking is available to Tenant in City owned parking lots located near Premises.

16. **Restoration.** If at any time during the Lease Term the Premises are damaged by a fire or other casualty, Landlord shall notify Tenant within 60 days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed 6 months, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than 30 days after Landlord's notice. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take 6 months or less, then, subject to receipt of sufficient insurance proceeds, Landlord shall promptly restore the Premises excluding the improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds or from Force Majeure events. Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the last year of the Lease Term and Landlord reasonably estimates that it will take more than one month to repair such damage. Base Rent and Operating Expenses shall be abated for the period of repair and restoration in the proportion which the area of the Premises, if any, which is not usable by

Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

17. **Condemnation.** If any part of the Premises should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "Taking" or "Taken"), and the Taking would prevent or materially interfere with Tenant's use of the Premises or in Landlord's judgment would materially interfere with or impair its ownership or operation of the Premise, then upon written notice by Landlord this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant.

18. **Assignment and Subletting.** Without Landlord's prior written consent, which Landlord shall not unreasonably withhold, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. For purposes of this paragraph, a transfer of the ownership interests resulting in a change of control of Tenant shall be deemed an assignment of this Lease. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with any assignment or sublease in an amount not to exceed \$1,500. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 15 days after receipt of Tenant's notice, terminate this Lease with respect to the space described in Tenant's notice, as of the date specified in Tenant's notice for the commencement of the proposed assignment or sublease. If Landlord so terminates the Lease, Landlord may enter into a lease directly with the proposed sublessee or assignee. Tenant may withdraw its notice to sublease or assign by notifying Landlord within 10 days after Landlord has given Tenant notice of such termination, in which case the Lease shall not terminate but shall continue.

It shall be reasonable for the Landlord to withhold its consent to any assignment or sublease in any of the following instances: (i) an Event of Default has occurred and is continuing that would not be cured upon the proposed sublease or assignment; (ii) the assignee or sublessee does not have a net worth which is consistent with net worth of other tenant's which Landlord is entering into leases with in the Premise; (iii) the intended use of the Premises by the assignee or sublessee is not consistent with the use provision herein; (iv) occupancy of the Premises by the assignee or sublessee would, in Landlord's opinion, violate an agreement binding upon Landlord with regard to the identity of tenants, usage in the Premise, or similar matters; (v) the identity or business reputation of the assignee or sublessee will, in the good faith

judgment of Landlord, tend to damage the goodwill or reputation of the Premise; (vi) the assignment or sublet is to another tenant in the Premise and is at rates which are below those charged by Landlord for comparable space in the Premise and Landlord has space available in the Premise to accommodate the tenant's needs; (vii) in the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease; (viii) the proposed assignee or sublessee is a governmental agency; or (ix) there is vacant space in the Premise suitable for lease to the proposed sublessee or assignee. Tenant and Landlord acknowledge that each of the foregoing criteria are reasonable as of the date of execution of this Lease. The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease. Any approved assignment or sublease shall be expressly subject to the terms and conditions of this Lease. Tenant shall provide to Landlord all information concerning the assignee or sublessee as Landlord may request.

Notwithstanding any assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignments or sublettings). In the event that the rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefore or incident thereto) exceeds the rental payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as additional rent hereunder fifty percent (50%) of such excess rental and other excess consideration ("Profit") within 10 days following receipt of each month's Profit thereof by Tenant. Profit shall be further defined to take into consideration all of Tenant's costs in any assignment of subletting including but not limited to real estate commissions, legal fees, marketing costs, any improvement allowance or other economic concession (planning allowance, moving expenses, etc.), paid by Tenant to sublessee or assignee.

If this Lease be assigned or if the Premises be subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

19. **Indemnification.** Except for the negligence of Landlord, its agents, employees or contractors, and to the extent permitted by law, Tenant agrees to indemnify, defend and hold harmless Landlord, and Landlord's agents, employees and contractors, from and against any and all losses, liabilities, damages, costs and expenses (including attorneys' fees) resulting from claims by third parties for injuries to any person and damage to or theft or misappropriation or loss of property occurring in or about the Premise and arising from the use and occupancy of the Premises or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises or due to any other act or omission of Tenant, its subtenants, assignees,

invitees, employees, contractors and agents. The furnishing of insurance required hereunder shall not be deemed to limit Tenant's obligations under this Paragraph 19.

20. **Inspection and Access.** Landlord and its agents, representatives, and contractors may enter the Premises with prior notice at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises to prospective purchasers and, during the last 4 months of the Lease Term, to prospective tenants. Landlord may erect or post a suitable sign on the Premises stating the Premises are available to let. Landlord may grant easements, make public dedications, designate common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially interferes with Tenant's use or occupancy of the Premises. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions.

21. **Quiet Enjoyment.** If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

22. **Surrender.** Upon termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Paragraphs 16 and 17 excepted. Any Trade Fixtures, Tenant-Made Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and obligations concerning the condition and repair of the Premises.

23. **Holding Over.** If Tenant retains possession of the Premises after the termination of the Lease Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the holdover period, an amount equal to 150 percent the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph 23 shall not be construed as consent for Tenant to retain possession of the Premises. For purposes of this Paragraph 23, "possession of the Premises" shall continue until, among other things, Tenant has delivered all keys to the Premises to Landlord, Landlord has complete and total dominion and control over the Premises, and Tenant has completely fulfilled all obligations

required of it upon termination of the Lease as set forth in this Lease, including, without limitation, those concerning the condition and repair of the Premises.

24. **Events of Default.** Each of the following events shall be an event of default ("Event of Default") by Tenant under this Lease:

(i) Tenant shall fail to pay any installment of Base Rent or any other payment required herein when due, and such failure shall continue for a period of 5 business days from the date such payment was due.

(ii) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); (C) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(iii) Any insurance required to be maintained by Tenant pursuant to this Lease shall be cancelled or terminated or shall expire or shall be reduced or materially changed, except, in each case, as permitted in this Lease.

(iv) Tenant shall not occupy or shall vacate the Premises or shall fail to continuously operate its business at the Premises for the permitted use set forth herein, whether or not Tenant is in monetary or other default under this Lease. Tenant's vacating of the Premises shall not constitute an Event of Default if, prior to vacating the Premises, Tenant has made arrangements reasonably acceptable to Landlord to (a) insure that Tenant's insurance for the Premises will not be voided or cancelled with respect to the Premises as a result of such vacancy, (b) insure that the Premises are secured and not subject to vandalism, and (c) insure that the Premises will be properly maintained after such vacation. Tenant shall inspect the Premises at least once each month and report monthly in writing to Landlord on the condition of the Premises.

(v) There shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease except as otherwise permitted in this Lease.

(vi) Tenant shall fail to discharge any lien placed upon the Premises in violation of this Lease within 30 days after Tenant's receipt of notice of any such lien or encumbrance is filed against the Premises.

(vii) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Paragraph 24, and except as otherwise expressly provided herein, such default shall continue for more than 30 days after Landlord shall have given Tenant written notice of such default.

25. **Landlord's Remedies.** Upon each occurrence of an Event of Default and so long as such Event of Default shall be continuing, Landlord may at any time thereafter at its election: terminate this Lease or Tenant's right of possession, (but Tenant shall remain liable as hereinafter provided) and/or pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and to remove Tenant and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all of the furniture, fixtures and equipment at the Premises.

Except as otherwise provided in the next paragraph, if Tenant breaches this Lease and abandons the Premises prior to the end of the term hereof, or if Tenant's right to possession is terminated by Landlord because of an Event of Default by Tenant under this Lease, this Lease shall terminate. Upon such termination, Landlord may recover from Tenant the following, as provided in Section 1951.2 of the Civil Code of California: (i) the worth at the time of award of the unpaid Base Rent and other charges under this Lease that had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the reasonable value of the unpaid Base Rent and other charges under this Lease which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award by which the reasonable value of the unpaid Base Rent and other charges under this Lease for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. As used herein, the following terms are defined: (a) the "worth at the time of award" of the amounts referred to in Sections (i) and (ii) is computed by allowing interest at the lesser of 18 percent per annum or the maximum lawful rate. The "worth at the time of award" of the amount referred to in Section (iii) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent; (b) the "time of award" as used in clauses (i), (ii), and (iii) above is the date on which judgment is entered by a court of competent jurisdiction; (c) The "reasonable value" of the amount referred to in clause (ii) above is computed by determining the mathematical product of (1) the "reasonable annual rental value" (as defined herein) and (2) the number of years, including fractional parts thereof, between the date of termination and the time of award. The "reasonable value" of the amount referred to in clause (iii) is computed by determining the mathematical product of (1) the annual Base Rent and other charges under this Lease and (2) the number of years including fractional parts thereof remaining in the balance of the term of this Lease after the time of award.

Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due. This remedy is intended to be the remedy described in California Civil Code Section 1951.4 and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover

rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations)." Any such payments due Landlord shall be made upon demand therefor from time to time and Tenant agrees that Landlord may file suit to recover any sums falling due from time to time. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach.

Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, whether by agreement or by operation of law, it being understood that such surrender and/or termination can be effected only by the written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter as provided for in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings. Any reletting of the Premises shall be on such terms and conditions as Landlord in its sole discretion may determine (including without limitation a term different than the remaining Lease Term, rental concessions, alterations and repair of the Premises, lease of less than the entire Premises to any tenant and leasing any or all other portions of the Premise before reletting the Premises). Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting.

26. **Tenant's Remedies/Limitation of Liability.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" in this Lease shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Lease Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Premise, and in no event

shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord.

27. **Waiver of Jury Trial.** TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

28. **Subordination.** This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any mortgage, now existing or hereafter created on or against the Premise or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "mortgage" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "holder" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

29. **Mechanic's Liens.** Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within 30 days of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such 30-day period. Landlord may require tenant to provide to Landlord all documents to establish payment by Tenant for all work performed by third parties.

30. **Estoppel Certificates.** Tenant agrees, from time to time, within 10 days after request of Landlord, to execute and deliver to Landlord, or Landlord's designee, any estoppel certificate requested by Landlord, stating that this Lease is in full force and effect, the

date to which rent has been paid, that Landlord is not in default hereunder (or specifying in detail the nature of Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by Landlord. Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

31. **Environmental Requirements.** Except for Hazardous Material contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises or transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remediate in a manner satisfactory to Landlord any Hazardous Materials released on or from the Premise by Tenant, its agents, employees, contractors, subtenants or invitees. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture or release of Hazardous Materials on the Premises. The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, byproducts, or residues generated, resulting, or produced therefrom.

Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises and loss of rental income from the Premise), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the property or disturbed in breach of the requirements of this Paragraph 31, regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials for which Tenant is obligated to remediate as provided above or any other breach of the requirements under this Paragraph 30 by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Paragraph 30 shall survive any termination of this Lease.

Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Paragraph 30, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

32. **Rules and Regulations.** Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises. The current rules and regulations are attached hereto. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Premise.

33. **Security Service.** Tenant acknowledges and agrees that, while Landlord may patrol the Premise, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises.

34. **Force Majeure.** Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("Force Majeure").

35. **Entire Agreement.** This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

36. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

37. **Brokers.** Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, other than the broker, if any, set forth on the first page of this Lease, and Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

38. **Miscellaneous.**

(a) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

(b) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

(c) All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand-delivery addressed to the parties at their addresses below, and with a copy sent to Landlord at City of Oroville, Attn: City Administrator, 1735 Montgomery Street, Oroville, California, 95965. Either party may by notice given aforesaid change its address for all subsequent notices. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery.

(d) Except as otherwise expressly provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

(e) The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto.

(f) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(h) Any amount not paid by Tenant within 5 days after its due date in accordance with the terms of this Lease shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or 15 percent per year. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is

Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(i) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Premise is located, excluding any principles of conflicts of laws.

(j) Time is of the essence as to the performance of Tenant's obligations under this Lease.

(k) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

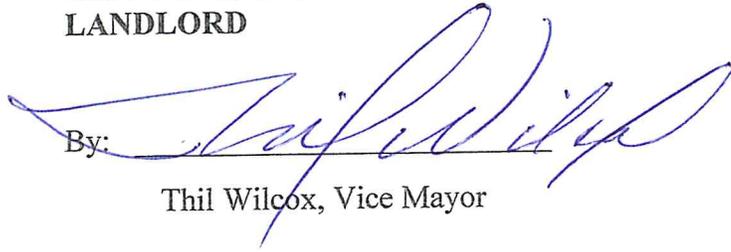
(l) In the event either party hereto initiates litigation to enforce the terms and provisions of this Lease, the non-prevailing party in such action shall reimburse the prevailing party for its reasonable attorney's fees, filing fees, and court costs.

(m) In the event the total square footage and/or the footprint of the Leased Premises is modified by Landlord for purposes of practicality in compliance with any state or federal law, including but not limited to the Americans with Disabilities Act, Tenant agrees to accept such modifications without compensation. In the event Tenant reasonably believes such modifications prevent Tenant's Use of the Premises, as outlined in Paragraph 3, Tenant's sole remedy is to meet and confer with Landlord to seek voluntary modification of the Lease.

39. **Landlord's Lien/Security Interest.** Tenant hereby grants Landlord a security interest, and this Lease constitutes a security agreement, within the meaning of and pursuant to the Uniform Commercial Code of the state in which the Premises are situated as to all of Tenant's property situated in, or upon, or used in connection with the Premises (except merchandise sold in the ordinary course of business) as security for all of Tenant's obligations hereunder, including, without limitation, the obligation to pay rent. Such personality thus encumbered includes specifically all trade and other fixtures for the purpose of this Paragraph and inventory, equipment, contract rights, accounts receivable and the proceeds thereof. In order to perfect such security interest, Tenant shall execute such financing statements and file the same at Tenant's expense at the state and county Uniform Commercial Code filing offices as often as Landlord in its discretion shall require; and Tenant hereby irrevocably appoints Landlord its agent for the purpose of executing and filing such financing statements on Tenant's behalf as Landlord shall deem necessary.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

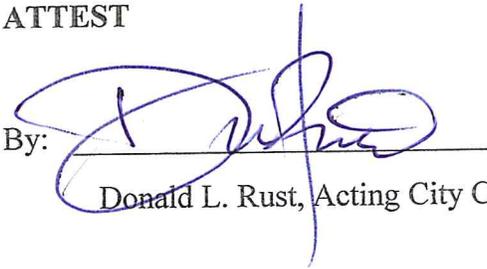
CITY OF OROVILLE
LANDLORD

By: 
Thil Wilcox, Vice Mayor

SATEH SAM HASROUN
TENANT

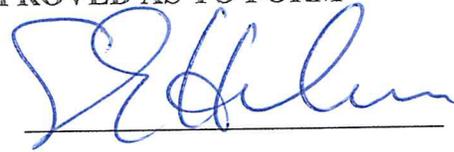
By: 
Print: SATEH "SAM" HASROUN
DBA: DIGGER Magazine

ATTEST

By: 
Donald L. Rust, Acting City Clerk

By: 
Print:

APPROVED AS TO FORM

By: 
Scott E. Huber, City Attorney

BUSINESS LICENSE NO.

1455

1461

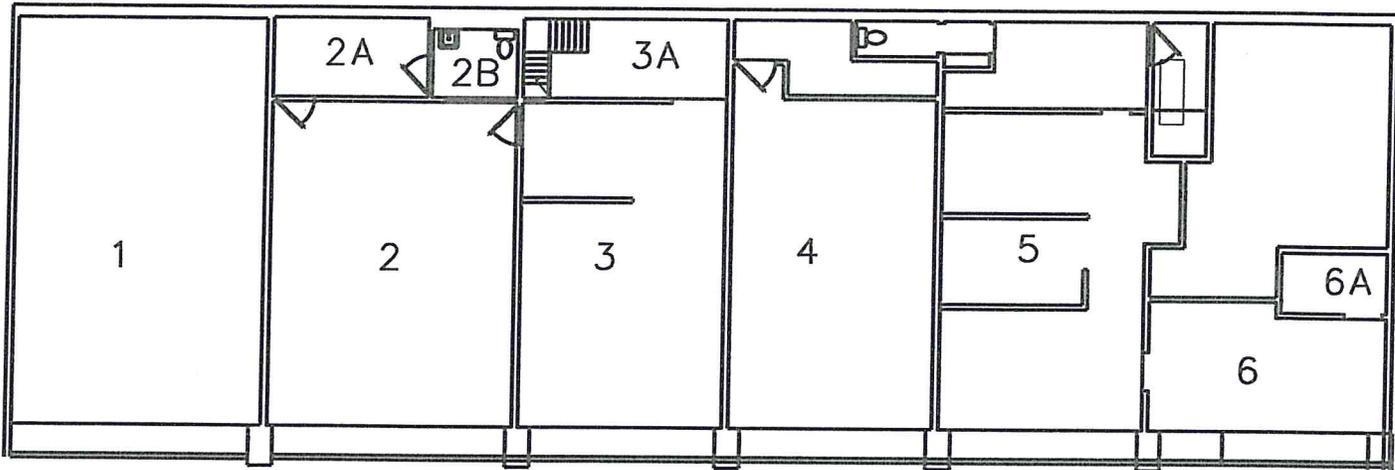
1465

1471

1475

1481

MYERS



STATE THEATER OFFICES

1	1455 Myers St. (Occupied)	
	A Main floor area	
	B Attic	
	TOTAL	
2	1461 Myers Street	
	Main floor area	499.2
	A Back Room	79.08
	B Bathroom	37.04
	TOTAL	615.3
3	1465 Myers Street	
	Main floor area	416.6
	A Back Room	80.63
	Attic	0
	Basement Access	0
	TOTAL	497.2
4	1471 Myers Street (Occupied)	
	Main floor area	434.3
	A Attic	210
	B Bathroom	0
	TOTAL	644.3
5	1475 Myers St. (Occupied)	
	Main floor area	424.5
	A Back Room	94.8
	B Bathroom	33.36
	C Storage/Basment Access	45.42
	TOTAL	598.1
6	1475 Myers St. (Occupied)	
	Main floor area	182.9
	A Back Room	40.46
	TOTAL	223.3

Square footage excludes the window displays

**CITY OF OROVILLE
RESOLUTION NO. 8348**

**A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND
DIRECTING THE VICE MAYOR TO EXECUTE A COMMERCIAL LEASE
AGREEMENT WITH SATEH SAM HASROUN FOR OFFICE SPACE LOCATED AT
1461 MYERS STREET, SUITE 2**

(Agreement No. 3118)

NOW THEREFORE, be it hereby resolved by the Oroville City Council as follows:

1. The Mayor is hereby authorized and directed to execute a Commercial Lease Agreement with Sateh Sam Hasroun to rent the commercial space located at 1461 Myers Street, Suite 2. A copy of the Agreement is attached to this Resolution.
2. The City Clerk shall attest to the adoption of this Resolution.

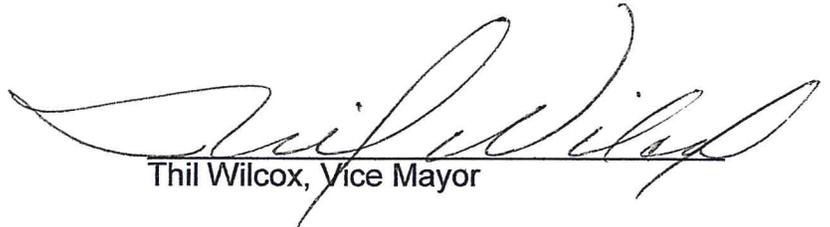
PASSED AND ADOPTED by the Oroville City Council at a regular meeting on May 5, 2015, by the following vote:

AYES: Council Members Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox

NOES: Council Member Berry

ABSTAIN: None

ABSENT: Mayor Dahlmeier

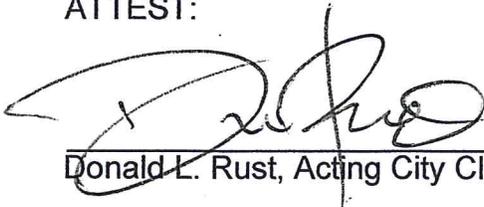

Thil Wilcox, Vice Mayor

APPROVED AS TO FORM:



Scott E. Huber, City Attorney

ATTEST:



Donald L. Rust, Acting City Clerk



THE Digger

Shopper & News

1461 Myers St ▪ Oroville, CA, 95965
Main (530) 533-2170 ▪ www.diggernews.com
Sam Hasroun, Publisher
Morgan Williams, Office & Sales
email: shasroun@msn.com c: (530) 566-2600
email: researcherpathway@gmail.com

March 29, 2016

Attn: Don Rust
C/o City of Oroville
1735 Montgomery Street
Oroville, CA 95965

Re: 30-day intent to vacate premises for Collins & Denny Corp DBA The Digger Shopper. In the name of Sateh Sam Hasroun

Dear Sir,

This letter is intended to provide my 30 days notice, as per the lease agreement that was signed in May 2015, so express my intent to vacate the office space, located at 1461 Myers Street in Downtown Oroville. I wish to do this, as I am no longer in possession of the business that I owned at the time that the lease was agreed upon and signed last year.

As such, this letter will serve to act as my notice from April 1st 2016, until April 30th 2016, thus completing the 30-day cycle.

If you have any further questions, please feel free to let me know.

Regards,

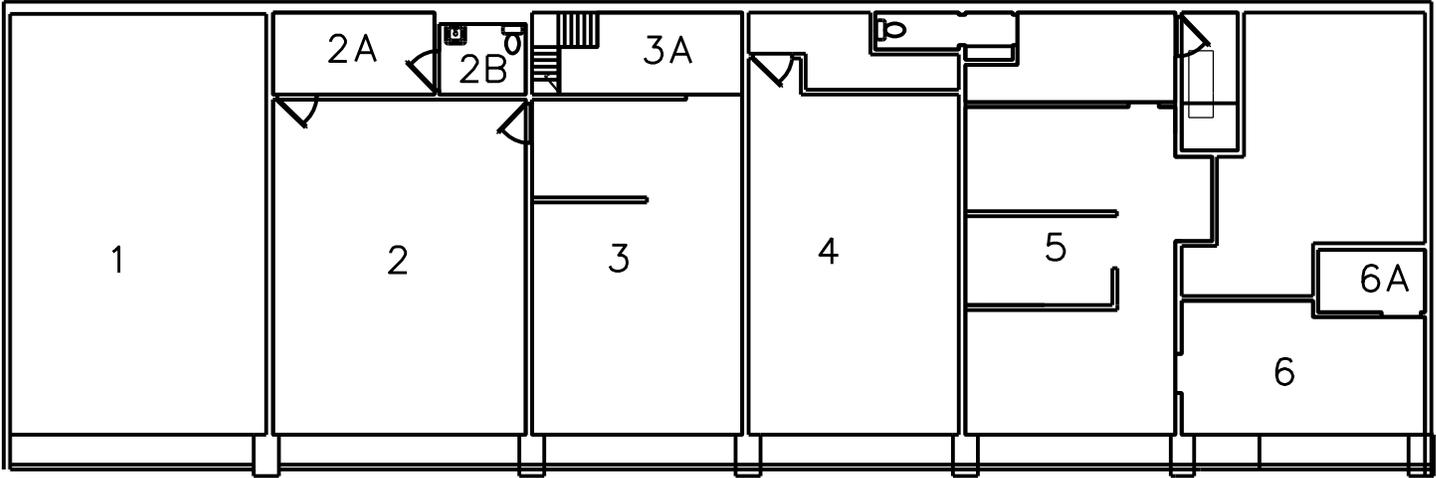
A handwritten signature in blue ink that reads "Sateh Sam Hasroun".

Sateh Sam Hasroun
Collins & Denny Corp, President
DBA The Digger Shopper & News
530-566-2600
shasroun@msn.com

cc: Luis Topete and Dawn Nevers

EXHIBIT
C

1455 1461 1465 1471 1475 1481 MYERS



STATE THEATER OFFICES

1	1455 Myers St. (Occupied)	
	A Main floor area	
	B Attic	
	TOTAL	
2	1461 Myers Street	
	Main floor area	499.2
	A Back Room	79.08
	B Bathroom	37.04
	TOTAL	615.3
3	1465 Myers Street	
	Main floor area	416.6
	A Back Room	80.63
	Attic	0
	Basement Access	0
	TOTAL	497.2
4	1471 Myers Street (Occupied)	
	Main floor area	434.3
	A Attic	210
	B Bathroom	0
	TOTAL	644.3
5	1475 Myers St. (Occupied)	
	Main floor area	424.5
	A Back Room	94.8
	B Bathroom	33.36
	C Storage/Basment Access	45.42
	TOTAL	598.1
6	1475 Myers St. (Occupied)	
	Main floor area	182.9
	A Back Room	40.46
	TOTAL	223.3

Square footage excludes the window displays



**CITY OF OROVILLE
RESOLUTION NO. 8488**

A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A COMMERCIAL LEASE AGREEMENT WITH RONALD ALEXANDER FOR THE OFFICE SPACE LOCATED AT 1461 MYERS STREET, SUITE 2

(Agreement No. 3174)

NOW THEREFORE, be it hereby resolved by the Oroville City Council as follows:

1. The Mayor is hereby authorized and directed to execute a Commercial Lease Agreement with Ronald Alexander to rent the commercial space located at 1461 Myers Street, Suite 2. A copy of the Agreement is attached to this Resolution.
2. The City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on April 19, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

ATTEST:

Scott E. Huber, City Attorney

Donald Rust, Acting City Clerk



**CITY OF OROVILLE PUBLIC FACILITY
LEASE AGREEMENT**

THIS LEASE AGREEMENT is made this 19th day of April, 2016, between the City of Oroville ("Landlord"), and Ronald Alexander ("Tenant").

BUSINESS TERMS

Landlord: **CITY OF OROVILLE**

Tenant: **RONALD ALEXANDER**

Premises: Historic State Theater (APN: 012-093-008-000)
1461 Myers – Suite 2, approximately 615 sq. ft.

Permitted Use: See Table 26-34.020-1 of the Oroville Municipal Code
"Allowed Uses in Mixed-Use Districts"

Current Zoning: Downtown Mixed-Use (MXD)

Term: 1 Year, 0 months, plus an option to renew annually for 2
years, 0 months lease.

Renewal Option: The two (1) year options shall not be subject to a market
rate adjustment. A market rate adjustment shall be applied
upon a renewal of lease agreement at the beginning of Year
four.

Base Rent: \$461.25 per month

Deal NPV \$5,535 (\$461.25 x 12 months)

Percentage Rent: NONE

Net Lease: Tenant is to pay pro rata share for all taxes, insurances, and
common area maintenance charges as subject to Paragraphs
6, 8, and 9.

The tenant is responsible for all occupancy costs for the
Premise as subject to Paragraph 7.

Security Deposit: \$1,200

Security Deposit is held to mitigate damage that may result
to the Premise from business operations as subject to

Paragraph 5. Deposit is returned in full with no interest when Premise has been vacated and inspected by the City of Oroville to assess its condition.

Rent Commencement: Rent, as subject to Paragraph 4, shall commence 45 days following execution of this Lease Agreement. Tenant shall pay Landlord its pro-rata share of rent for the first month rent commences for the Premise.

Possession: At execution of Lease Agreement by all parties, which requires approval of the City Council.

Condition of Premises: Notwithstanding the “Construction Allowance” section, the Landlord is to provide Tenant the Premises in its “as is” condition as subject to Paragraph 2. Tenant is willing to take the Premises in “as is” condition subject to conducting a thorough assessment of the condition of the Premises by Tenant’s contractors to determine if the “Construction Allowance” as set forth herein will be adequate to bring the Premises into good working order.

Any additional improvements over and above the “Construction Allowance” shall be at Tenant’s sole cost and expense as subject to Paragraph 13. A Tenant Improvement Plan shall be submitted to the City for approval prior to work being performed.

Construction Allowance: Not applicable. All associated costs with the mutually agreed upon Tenant improvements, and required permits, shall be the responsibility of the Tenant. The Tenant may be credited a maximum of 3 months in rent (\$1,383.75) to recoup the cost of mutually agreed upon Tenant improvements (material and labor). Any cost to the Tenant for improvements in excess of \$1,383.75 shall be at the sole expense of the Tenant.

Building Signage: Signage shall be in conformance with the State Theatre sign criteria, the Zoning Code, all applicable sign regulations, and approved by the Landlord prior to installation or placement. All signage shall be at Tenant’s expense.

1. **Granting Clause.** In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease.

2. **Acceptance of Premises.** Tenant shall accept the Premises in its condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. Except as provided in Paragraph 11, in no event shall Landlord have any obligation for any defects in the Premises or any limitation on its use. The taking of possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken except for items that are Landlord's responsibility under Paragraph 11.

3. **Use.** The Premises shall be used only for the purpose of receiving, storing, shipping and selling of products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. Tenant must comply with the City Zoning Code and all applicable portions of the City Municipal Code. Tenant shall not conduct or give notice of any auction, liquidation, or going out of business sale on the Premises, without Landlord's prior written consent, which Landlord shall not unreasonably withhold. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises or subject the Premises to use that would damage the Premises. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any tenants of the Premises. Tenant, at its sole expense, shall use and occupy the Premises in compliance with all laws, including, without limitation, the Americans With Disabilities Act, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises (collectively, "Legal Requirements") unless such Legal Requirements are met due to their "grandfathered" nature. Tenant shall, at its expense, make any alterations or modifications, within or without the Premises, that are required by Legal Requirements related to Tenant's use or occupation of the Premises unless such Legal Requirements are met due to their "grandfathered" nature. Tenant must receive Landlord's written authorization and approval for all alteration or modifications to the Premises.

4. **Base Rent.** Tenant shall pay Base Rent in the amount set forth above. The first month's Base Rent, the Security Deposit, and the first monthly installment of estimated Operating Expenses (as hereafter defined) shall be due and payable on the date hereof, and Tenant promises to pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month succeeding the Commencement Date. Payments of Base Rent for any fractional calendar month shall be prorated. All payments required to be made by Tenant to Landlord hereunder (or to such other party as Landlord may from time to time specify in writing) shall be made by check of immediately available funds before 4:00 p.m., Pacific Time, at the City of Oroville, Finance Department, 1735 Montgomery Street, Oroville, California, 95965, or as Landlord may from time to time designate to Tenant in writing. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any rent due hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent for more than 5 business days, Tenant shall pay to Landlord on demand a late charge equal to 5 percent of such delinquent sum. The provision for such late charge shall be in

addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty.

5. **Security Deposit.** Tenant shall deposit with the Landlord the sum set forth above as "Security Deposit" in three monthly installments of \$400. The first monthly installment shall be due concurrently with the execution of this Lease. The second and third monthly installments shall be due with Tenant's payments beginning with the commencement of rent. The security deposit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions to be performed by Tenant. The security deposit shall not be assigned, transferred or encumbered by Tenant, and any attempt to do so shall not be binding upon Landlord. If, at any time during the term of this Lease, any rent or portion of any rent payable by Tenant to Landlord shall not be timely paid, then, Landlord may, at its option (but shall not be required to), appropriate and apply any portion of the security deposit to the payment of such overdue rent. Under no circumstances shall Tenant apply the security deposit as Rent for the final months of the Lease. In the event of the failure of Tenant to keep and perform any of the terms, covenants and conditions of this Lease to be kept and performed by Tenant, then, at the option of Landlord, Landlord may (but shall not be required to) appropriate and apply the security deposit, or so much so as may be necessary, to compensate Landlord for all loss or damage sustained or suffered by Landlord due to such default on the part of Tenant. Should the entire security deposit, or any portion thereof, be appropriated and applied by Landlord for the purposes set forth herein, or for any other lawful purpose, then Tenant shall, within 10 days after written demand by Landlord, deliver to Landlord a sufficient sum in cash to restore the security deposit to the original sum of the security deposit. Landlord shall not be obligated to keep the security deposit in a separate fund, but may commingle the security deposit with its own funds. The failure of Tenant to maintain the security deposit in the initial amount as stated above shall constitute a failure to pay rent and shall carry with it the consequences set forth in this Lease for failure to pay rent. Upon expiration of the Lease, the security deposit, if not applied toward the payment of Rent in arrears or toward the payment of damages suffered by Landlord by reason of Tenant's breach of this Lease, is to be returned to Tenant without interest, but in no event shall the security deposit be returned until Tenant has vacated the Leased Premises, delivered possession thereof to Landlord, and fully satisfied Tenant's obligations under this Lease.

6. **Operating Expense Payments.** Intentionally Omitted.

7. **Utilities.** Tenant shall pay for all water, gas, electricity, heat, light, power, telephone, sprinkler services, refuse and trash collection, and other utilities and services used on the Premises, all maintenance charges for utilities, and any other similar charges for utilities imposed by any governmental entity or utility provider, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Landlord may cause at Tenant's expense any utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay its share of all charges for jointly metered utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of utilities shall result in the termination of this Lease or the abatement of rent.

8. **Taxes.** If any such tax or excise is levied or assessed directly against Tenant, including but not limited to possessory tax, then Tenant shall be responsible for and shall

pay the same at such times and in such manner as the taxing authority shall require. Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises, whether levied or assessed against Landlord or Tenant.

TENANT INITIALS _____

9. **Insurance.** Landlord shall maintain all risk property insurance covering the full replacement cost of the Building. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, commercial liability insurance and rent loss insurance. All such insurance shall be included as part of the Operating Expenses charged to Tenant. The Premise or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Premise or Building will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its expense, shall maintain during the Lease Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial liability insurance, with a minimum limit of \$1,000,000 per occurrence and a minimum umbrella limit of \$1,000,000, for a total minimum combined general liability and umbrella limit of \$2,000,000 (together with such additional umbrella coverage as Landlord may reasonably require) for property damage, personal injuries, or deaths of persons occurring in or about the Premises. Landlord may from time to time require reasonable increases in any such limits. The commercial liability policies shall name Landlord as an additional insured, insure on an occurrence and not a claims-made basis, be issued by insurance companies which are reasonably acceptable to Landlord, not be cancelable unless 30 days' prior written notice shall have been given to Landlord, contain a hostile fire endorsement and a contractual liability endorsement and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). SUCH POLICIES OR CERTIFICATES THEREOF SHALL BE DELIVERED TO LANDLORD BY TENANT UPON COMMENCEMENT OF THE LEASE TERM AND UPON EACH RENEWAL OF SAID INSURANCE.

The all-risk property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, their officers, directors, employees, managers, agents, invitees and contractors, in connection with any loss or damage thereby insured against. Neither party nor its officers, directors, employees, managers, agents, invitees or contractors shall be liable to the other for loss or damage caused by any risk coverable by all risk property insurance, and each party waives any claims against the other party, and its officers, directors, employees, managers, agents, invitees and contractors for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its agents, employees and contractors shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant

resulting from any accident or occurrence in or upon the Premises from any cause whatsoever, including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its agents, employees or contractors.

10. **Construction Allowance.** All construction costs associated with the mutually agreed Tenant Improvements and required permits will be handled by the Tenant.

11. **Landlord's Repairs.** Landlord shall maintain, at its expense, the structural soundness of the roof, foundation, and exterior walls of the Building in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents and contractors excluded. The term "walls" as used in this Paragraph 11 shall not include windows, glass or plate glass, doors or overhead doors, special store fronts, or office entries. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph 11, after which Landlord shall have a reasonable opportunity to repair.

12. **Tenant's Repairs.** Landlord, at Tenant's expense as provided in Paragraph 6, shall maintain in good repair and condition. Subject to Landlord's obligation in Paragraph 11 and subject to Paragraphs 9 and 16, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises and all areas, improvements and systems exclusively serving the Premises including, without limitation, entries, doors, ceilings, windows, interior walls, and the interior side of demising walls. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. The scope of services and contractors under such maintenance contracts shall be reasonably approved by Landlord. If Tenant fails to perform any repair or replacement for which it is responsible, Landlord may perform such work and be reimbursed by Tenant within 10 days after demand therefore. Subject to Paragraphs 9 and 16, Tenant shall bear the full cost of any repair or replacement to any part of the Building or Premise that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

13. **Tenant-Made Alterations and Trade Fixtures.** Any alterations, additions, or improvements made by or on behalf of Tenant to the Premises ("Tenant-Made Alterations") shall be subject to Landlord's prior written consent. Tenant shall cause, at its expense, all Tenant-Made Alterations to comply with insurance requirements and with Legal Requirements and shall construct at its expense any alteration or modification required by Legal Requirements as a result of any Tenant-Made Alterations. All Tenant-Made Alterations shall be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant-Made Alterations shall be submitted to Landlord for its approval. Landlord may monitor construction of the Tenant-Made Alterations. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord sworn statements

setting forth the names of all contractors and subcontractors who did work on the Tenant-Made Alterations and final lien waivers from all such contractors and subcontractors. Upon surrender of the Premises, all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant-Made Alterations. Tenant shall repair any damage caused by such removal.

Tenant, at its own cost and expense and without Landlord's prior approval, may paint interior spaces, erect such shelves, bins, machinery and trade fixtures (collectively "Trade Fixtures") in the ordinary course of its business provided that such items do not alter the basic character of the Premises, do not overload or damage the Premises, and may be removed without injury to the Premises, and the construction, erection, and installation thereof complies with all Legal Requirements and with Landlord's requirements set forth above. Tenant shall remove its Trade Fixtures and shall repair any damage caused by such removal.

14. **Signs.** Tenant shall not make any changes to the exterior of the Premises, install any exterior lights, decorations, balloons, flags, pennants, banners, or painting, or erect or install any signs, windows or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises, without Landlord's prior written consent. Upon surrender or vacation of the Premises, Tenant shall have removed all signs and repair, paint, and/or replace the building fascia surface to which its signs are attached. Tenant shall obtain all applicable governmental permits and approvals for sign and exterior treatments. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Premises shall be subject to Landlord's approval and conform in all respects to Landlord's requirements.

15. **Parking.** No off-street parking is provided by Landlord. Public parking is available to Tenant in City owned parking lots located near Premises.

16. **Restoration.** If at any time during the Lease Term the Premises are damaged by a fire or other casualty, Landlord shall notify Tenant within 60 days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed 6 months, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than 30 days after Landlord's notice. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take 6 months or less, then, subject to receipt of sufficient insurance proceeds, Landlord shall promptly restore the Premises excluding the improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds or from Force Majeure events. Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the last year of the Lease Term and Landlord reasonably estimates that it will take more than one month to repair such damage. Base Rent and Operating Expenses shall be abated for the period of repair and restoration in the proportion which the area of the Premises, if any, which is not usable by

Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

17. **Condemnation.** If any part of the Premises should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "Taking" or "Taken"), and the Taking would prevent or materially interfere with Tenant's use of the Premises or in Landlord's judgment would materially interfere with or impair its ownership or operation of the Premise, then upon written notice by Landlord this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant.

18. **Assignment and Subletting.** Without Landlord's prior written consent, which Landlord shall not unreasonably withhold, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. For purposes of this paragraph, a transfer of the ownership interests resulting in a change of control of Tenant shall be deemed an assignment of this Lease. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with any assignment or sublease in an amount not to exceed \$1,500. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 15 days after receipt of Tenant's notice, terminate this Lease with respect to the space described in Tenant's notice, as of the date specified in Tenant's notice for the commencement of the proposed assignment or sublease. If Landlord so terminates the Lease, Landlord may enter into a lease directly with the proposed sublessee or assignee. Tenant may withdraw its notice to sublease or assign by notifying Landlord within 10 days after Landlord has given Tenant notice of such termination, in which case the Lease shall not terminate but shall continue.

It shall be reasonable for the Landlord to withhold its consent to any assignment or sublease in any of the following instances: (i) an Event of Default has occurred and is continuing that would not be cured upon the proposed sublease or assignment; (ii) the assignee or sublessee does not have a net worth which is consistent with net worth of other tenant's which Landlord is entering into leases with in the Premise; (iii) the intended use of the Premises by the assignee or sublessee is not consistent with the use provision herein; (iv) occupancy of the Premises by the assignee or sublessee would, in Landlord's opinion, violate an agreement binding upon Landlord with regard to the identity of tenants, usage in the Premise, or similar matters; (v) the identity or business reputation of the assignee or sublessee will, in the good faith

judgment of Landlord, tend to damage the goodwill or reputation of the Premise; (vi) the assignment or sublet is to another tenant in the Premise and is at rates which are below those charged by Landlord for comparable space in the Premise and Landlord has space available in the Premise to accommodate the tenant's needs; (vii) in the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease; (viii) the proposed assignee or sublessee is a governmental agency; or (ix) there is vacant space in the Premise suitable for lease to the proposed sublessee or assignee. Tenant and Landlord acknowledge that each of the foregoing criteria are reasonable as of the date of execution of this Lease. The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease. Any approved assignment or sublease shall be expressly subject to the terms and conditions of this Lease. Tenant shall provide to Landlord all information concerning the assignee or sublessee as Landlord may request.

Notwithstanding any assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignments or sublettings). In the event that the rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefore or incident thereto) exceeds the rental payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as additional rent hereunder fifty percent (50%) of such excess rental and other excess consideration ("Profit") within 10 days following receipt of each month's Profit thereof by Tenant. Profit shall be further defined to take into consideration all of Tenant's costs in any assignment of subletting including but not limited to real estate commissions, legal fees, marketing costs, any improvement allowance or other economic concession (planning allowance, moving expenses, etc.), paid by Tenant to sublessee or assignee.

If this Lease be assigned or if the Premises be subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

19. **Indemnification.** Except for the negligence of Landlord, its agents, employees or contractors, and to the extent permitted by law, Tenant agrees to indemnify, defend and hold harmless Landlord, and Landlord's agents, employees and contractors, from and against any and all losses, liabilities, damages, costs and expenses (including attorneys' fees) resulting from claims by third parties for injuries to any person and damage to or theft or misappropriation or loss of property occurring in or about the Premise and arising from the use and occupancy of the Premises or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises or due to any other act or omission of Tenant, its subtenants, assignees,

invitees, employees, contractors and agents. The furnishing of insurance required hereunder shall not be deemed to limit Tenant's obligations under this Paragraph 19.

20. **Inspection and Access.** Landlord and its agents, representatives, and contractors may enter the Premises with prior notice at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises to prospective purchasers and, during the last 4 months of the Lease Term, to prospective tenants. Landlord may erect or post a suitable sign on the Premises stating the Premises are available to let. Landlord may grant easements, make public dedications, designate common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially interferes with Tenant's use or occupancy of the Premises. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions.

21. **Quiet Enjoyment.** If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

22. **Surrender.** Upon termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Paragraphs 16 and 17 excepted. Any Trade Fixtures, Tenant-Made Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and obligations concerning the condition and repair of the Premises.

23. **Holding Over.** If Tenant retains possession of the Premises after the termination of the Lease Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the holdover period, an amount equal to 150 percent the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph 23 shall not be construed as consent for Tenant to retain possession of the Premises. For purposes of this Paragraph 23, "possession of the Premises" shall continue until, among other things, Tenant has delivered all keys to the Premises to Landlord, Landlord has complete and total dominion and control over the Premises, and Tenant has completely fulfilled all obligations

required of it upon termination of the Lease as set forth in this Lease, including, without limitation, those concerning the condition and repair of the Premises.

24. **Events of Default.** Each of the following events shall be an event of default ("Event of Default") by Tenant under this Lease:

(i) Tenant shall fail to pay any installment of Base Rent or any other payment required herein when due, and such failure shall continue for a period of 5 business days from the date such payment was due.

(ii) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); (C) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(iii) Any insurance required to be maintained by Tenant pursuant to this Lease shall be cancelled or terminated or shall expire or shall be reduced or materially changed, except, in each case, as permitted in this Lease.

(iv) Tenant shall not occupy or shall vacate the Premises or shall fail to continuously operate its business at the Premises for the permitted use set forth herein, whether or not Tenant is in monetary or other default under this Lease. Tenant's vacating of the Premises shall not constitute an Event of Default if, prior to vacating the Premises, Tenant has made arrangements reasonably acceptable to Landlord to (a) insure that Tenant's insurance for the Premises will not be voided or cancelled with respect to the Premises as a result of such vacancy, (b) insure that the Premises are secured and not subject to vandalism, and (c) insure that the Premises will be properly maintained after such vacation. Tenant shall inspect the Premises at least once each month and report monthly in writing to Landlord on the condition of the Premises.

(v) There shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease except as otherwise permitted in this Lease.

(vi) Tenant shall fail to discharge any lien placed upon the Premises in violation of this Lease within 30 days after Tenant's receipt of notice of any such lien or encumbrance is filed against the Premises.

(vii) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Paragraph 24, and except as otherwise expressly provided herein, such default shall continue for more than 30 days after Landlord shall have given Tenant written notice of such default.

25. **Landlord's Remedies.** Upon each occurrence of an Event of Default and so long as such Event of Default shall be continuing, Landlord may at any time thereafter at its election: terminate this Lease or Tenant's right of possession, (but Tenant shall remain liable as hereinafter provided) and/or pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and to remove Tenant and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all of the furniture, fixtures and equipment at the Premises.

Except as otherwise provided in the next paragraph, if Tenant breaches this Lease and abandons the Premises prior to the end of the term hereof, or if Tenant's right to possession is terminated by Landlord because of an Event of Default by Tenant under this Lease, this Lease shall terminate. Upon such termination, Landlord may recover from Tenant the following, as provided in Section 1951.2 of the Civil Code of California: (i) the worth at the time of award of the unpaid Base Rent and other charges under this Lease that had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the reasonable value of the unpaid Base Rent and other charges under this Lease which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award by which the reasonable value of the unpaid Base Rent and other charges under this Lease for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. As used herein, the following terms are defined: (a) the "worth at the time of award" of the amounts referred to in Sections (i) and (ii) is computed by allowing interest at the lesser of 18 percent per annum or the maximum lawful rate. The "worth at the time of award" of the amount referred to in Section (iii) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent; (b) the "time of award" as used in clauses (i), (ii), and (iii) above is the date on which judgment is entered by a court of competent jurisdiction; (c) The "reasonable value" of the amount referred to in clause (ii) above is computed by determining the mathematical product of (1) the "reasonable annual rental value" (as defined herein) and (2) the number of years, including fractional parts thereof, between the date of termination and the time of award. The "reasonable value" of the amount referred to in clause (iii) is computed by determining the mathematical product of (1) the annual Base Rent and other charges under this Lease and (2) the number of years including fractional parts thereof remaining in the balance of the term of this Lease after the time of award.

Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due. This remedy is intended to be the remedy described in California Civil Code Section 1951.4 and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover

rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations)." Any such payments due Landlord shall be made upon demand therefor from time to time and Tenant agrees that Landlord may file suit to recover any sums falling due from time to time. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach.

Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, whether by agreement or by operation of law, it being understood that such surrender and/or termination can be effected only by the written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter as provided for in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings. Any reletting of the Premises shall be on such terms and conditions as Landlord in its sole discretion may determine (including without limitation a term different than the remaining Lease Term, rental concessions, alterations and repair of the Premises, lease of less than the entire Premises to any tenant and leasing any or all other portions of the Premise before reletting the Premises). Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting.

26. **Tenant's Remedies/Limitation of Liability.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" in this Lease shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Lease Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Premise, and in no event

shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord.

27. **Waiver of Jury Trial.** TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

28. **Subordination.** This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any mortgage, now existing or hereafter created on or against the Premise or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "mortgage" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "holder" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

29. **Mechanic's Liens.** Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within 30 days of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such 30-day period. Landlord may require tenant to provide to Landlord all documents to establish payment by Tenant for all work performed by third parties.

30. **Estoppel Certificates.** Tenant agrees, from time to time, within 10 days after request of Landlord, to execute and deliver to Landlord, or Landlord's designee, any estoppel certificate requested by Landlord, stating that this Lease is in full force and effect, the

date to which rent has been paid, that Landlord is not in default hereunder (or specifying in detail the nature of Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by Landlord. Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

31. **Environmental Requirements.** Except for Hazardous Material contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises or transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remediate in a manner satisfactory to Landlord any Hazardous Materials released on or from the Premise by Tenant, its agents, employees, contractors, subtenants or invitees. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture or release of Hazardous Materials on the Premises. The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, byproducts, or residues generated, resulting, or produced therefrom.

Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises and loss of rental income from the Premise), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the property or disturbed in breach of the requirements of this Paragraph 31, regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials for which Tenant is obligated to remediate as provided above or any other breach of the requirements under this Paragraph 30 by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Paragraph 30 shall survive any termination of this Lease.

Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Paragraph 30, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

32. **Rules and Regulations.** Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises. The current rules and regulations are attached hereto. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Premise.

33. **Security Service.** Tenant acknowledges and agrees that, while Landlord may patrol the Premise, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises.

34. **Force Majeure.** Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("Force Majeure").

35. **Entire Agreement.** This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

36. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

37. **Brokers.** Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, other than the broker, if any, set forth on the first page of this Lease, and Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

38. **Miscellaneous.**

(a) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

(b) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

(c) All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand-delivery addressed to the parties at their addresses below, and with a copy sent to Landlord at City of Oroville, Attn: City Administrator, 1735 Montgomery Street, Oroville, California, 95965. Either party may by notice given aforesaid change its address for all subsequent notices. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery.

(d) Except as otherwise expressly provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

(e) The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto.

(f) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(h) Any amount not paid by Tenant within 5 days after its due date in accordance with the terms of this Lease shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or 15 percent per year. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is

Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(i) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Premise is located, excluding any principles of conflicts of laws.

(j) Time is of the essence as to the performance of Tenant's obligations under this Lease.

(k) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

(l) In the event either party hereto initiates litigation to enforce the terms and provisions of this Lease, the non-prevailing party in such action shall reimburse the prevailing party for its reasonable attorney's fees, filing fees, and court costs.

(m) In the event the total square footage and/or the footprint of the Leased Premises is modified by Landlord for purposes of practicality in compliance with any state or federal law, including but not limited to the Americans with Disabilities Act, Tenant agrees to accept such modifications without compensation. In the event Tenant reasonably believes such modifications prevent Tenant's Use of the Premises, as outlined in Paragraph 3, Tenant's sole remedy is to meet and confer with Landlord to seek voluntary modification of the Lease.

39. **Landlord's Lien/Security Interest.** Tenant hereby grants Landlord a security interest, and this Lease constitutes a security agreement, within the meaning of and pursuant to the Uniform Commercial Code of the state in which the Premises are situated as to all of Tenant's property situated in, or upon, or used in connection with the Premises (except merchandise sold in the ordinary course of business) as security for all of Tenant's obligations hereunder, including, without limitation, the obligation to pay rent. Such personalty thus encumbered includes specifically all trade and other fixtures for the purpose of this Paragraph and inventory, equipment, contract rights, accounts receivable and the proceeds thereof. In order to perfect such security interest, Tenant shall execute such financing statements and file the same at Tenant's expense at the state and county Uniform Commercial Code filing offices as often as Landlord in its discretion shall require; and Tenant hereby irrevocably appoints Landlord its agent for the purpose of executing and filing such financing statements on Tenant's behalf as Landlord shall deem necessary.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

**CITY OF OROVILLE
LANDLORD**

**RONALD ALEXANDER
TENANT**

By: _____

Linda L. Dahlmeier, Mayor

By: _____

Print: RONALD ALEXANDER

DBA: Lover Your Vets

ATTEST

By: _____

By: _____

Donald Rust, Acting City Clerk

Print:

APPROVED AS TO FORM

BUSINESS LICENSE NO.

By: _____

Scott E. Huber, City Attorney

**OROVILLE CITY COUNCIL
STAFF REPORT**

TO: MAYOR AND CITY COUNCIL MEMBERS

**FROM: AMY BERGSTRAND, MANAGEMENT ANALYST III
DONALD RUST, DIRECTOR
COMMUNITY DEVELOPMENT DEPARTMENT**

**RE: MODIFICATIONS TO HOME INVESTMENT PARTNERSHIP
PROGRAM RESOLUTION NO. 8378**

DATE: APRIL 19, 2016

SUMMARY

The Council may consider modifications to HOME Investment Partnership Program (HOME) Resolution as required by the State of California Department of Housing and Community Development.

DISCUSSION

On March 25, 2016, staff received notification that the resolution that was submitted with the application for 2015 HOME grant application was not legally sufficient. Under the direction of the legal counsel, they will not be accepting resolutions that use “and/or” when naming authorized signors. For purposes of remaining consistent and adhering to procedure, they are requiring a new resolution stating either “and” or “or” for multiple authorized signors.

FISCAL IMPACT

None

RECOMMENDATIONS

Adopt Resolution No. 8489 – A RESOLUTION OF THE OROVILLE CITY COUNCIL MODIFYING RESOLUTION NO. 8378, AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE HOME INVESTMENT PARTNERSHIP PROGRAM; AND IF SELECTED, THE EXECUTION OF A STANDARD AGREEMENT, ANY AMENDMENTS THERETO, AND OTHER RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE HOME INVESTMENT PARTNERSHIP PROGRAM.

ATTACHMENTS

Resolution No. 8489

**CITY OF OROVILLE
RESOLUTION NO. 8489**

A RESOLUTION OF THE OROVILLE CITY COUNCIL MODIFYING RESOLUTION NO. 8378, AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE HOME INVESTMENT PARTNERSHIP PROGRAM; AND IF SELECTED, THE EXECUTION OF A STANDARD AGREEMENT, ANY AMENDMENTS THERETO, AND OTHER RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE HOME INVESTMENT PARTNERSHIP PROGRAM

WHEREAS:

- A. The State of California Department of Housing and Community Development (the "Department") is authorized to allocate HOME Investment Partnerships Program ("HOME") funds made available from the U.S. Department of Housing and Urban Development ("HUD"). HOME funds are to be used for the purposes set forth in Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, in federal implementing regulations set forth in Title 24 of the Code of Federal Regulations, part 92, and in Title 25 of the California Code of Regulations commencing with section 8200.
- B. On May 15, 2015, the Department issued a 2015 Notice of Funding Availability announcing the availability of funds under the HOME program (the "NOFA").
- C. In response to the 2015 NOFA, the City of Oroville a municipal corporation, of the State of California (the "Applicant"), wishes to apply to the Department for, and receive an allocation of, HOME funds.

IT IS NOW THEREFORE RESOLVED THAT:

- 1. In response to the 2015 NOFA, the Applicant shall submit an application to the Department to participate in the HOME program and for an allocation of funds not to exceed One Million Dollars (\$1,000,000) for the following activities and/or programs:

To provide gap financing to low-income, first time homebuyers to assist with the acquisition of single-family homes within the city-limits of Oroville.

- 2. If the application for funding is approved, then the Applicant hereby agrees to use the HOME funds for eligible activities in the manner presented in its application as approved by the Department in accordance with the statutes and regulations cited above. The Applicant may also execute a standard agreement, any amendments thereto, and any and all other documents or instruments necessary or required by

the Department or HUD for participation in the HOME program (collectively, the required documents).

3. The applicant authorizes the Mayor or her designee(s) to execute, in the name of the applicant the required documents.
4. The City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on April 19, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

ATTEST:

Scott E. Huber, City Attorney

Donald Rust, Acting City Clerk

**OROVILLE CITY COUNCIL
STAFF REPORT**

TO: MAYOR AND COUNCIL MEMBERS

FROM: LIZ EHRENSTROM, HUMAN RESOURCE MANAGER

**RE: PAYMENT OF CALIFORNIA PUBLIC EMPLOYEE RETIREMENT
BENEFITS FOR SEASONAL EMPLOYEE**

DATE: APRIL 19, 2016

SUMMARY

The Council may consider the continued to employment of a seasonal part-time employee that will require California Public Employee Retirement System (CalPERS) retirement contributions.

DISCUSSION

The City has recently re-hired a part-time seasonal employee to help the Parks and Trees Department due to a shortage of full-time staff. The City normally hires this individual during the seasonal period and the work hours are normally limited to 999 hours per fiscal year to avoid enrolling and paying into CalPERS retirement. Due to a shortage of staff, this seasonal individual has been hired early to help alleviate some of the workload on overburdened staff. The employee has reach the maximum number of hours (999). In lieu of layoff, staff would like authorization to continue to employ this seasonal worker and enroll them in the CalPERS retirement system. This seasonal employee has worked for the City since 2013. The individual is a dedicated worker and the Parks and Trees Department would benefit from their continued employment. Salary savings from the absence of one employee is \$14,490.82 for the period of March 27, 2016 pay period through June 19, 2016 pay period. The cost of the seasonal employee, with wages and CalPERS retirement, is \$5,367.79 for the same time period, which is still a \$9,123.03 savings to the City for the remainder of this fiscal year. Staff is requesting authorization to continue to employ this seasonal worker and enroll them into the CalPERS retirement system to help alleviate the overburdened staff of the Parks and Trees Department.

FISCAL IMPACT

No fiscal impact due to salary savings of \$14,490.82 for pay periods March 27, 2016 through June 19, 2016.

RECOMMENDATION

Approve staff to enroll the seasonal employee into the CalPERS retirement system.

**CITY OF OROVILLE
STAFF REPORT**

TO: MAYOR DAHLMEIER AND CITY COUNCIL MEMBERS

FROM: BILL LAGRONE, DIRECTOR OF PUBLIC SAFETY

**RE: BALLOT MEASURE FOR POTENTIAL SALES TAX INCREASE
FOR NOVEMBER 2016 GENERAL MUNICIPAL ELECTION**

DATE: APRIL 19, 2016

SUMMARY

The Council will receive a presentation on a potential sales tax increase for the Public Safety Department and may provide direction to staff on how to proceed.

DISCUSSION

The staff of the Oroville Public Safety Department has been tasked with examining any and all ways to reduce the operational cost of the Police and Fire Departments. In July 2014, the Council authorized the Public Safety Department to explore the potential cost of contracting with other larger agencies. At the same meeting, several Council members expressed the desire to explore other alternatives.

Staff has conducted research on a potential sales tax increase. This option has previously been discussed and never really materialized into anything more than a discussion. It appears the time has come to have an open discussion about the sustainability of local Public Safety Services with the community. Currently, Public Safety is understaffed. Neither the Fire Department or the Police Department have grown in over 25 years, yet the population of the community has increased significantly and the reliance upon the services of the Public Safety Department provides has dramatically increased. Non-growth has come with a cost. That cost is often at the expense of the quality of work performed, the need to work faster, which translates into what appears to be rude or discourteous behavior and safety issues. All of these greatly concern the administration of the Public Safety Department. These concerns are equally shared by the leadership of the OFFA and the OPOA. It is our combined desire to provide the best service possible to our community.

In order to improve Public Safety services, the City needs more Fire and Law Enforcement professionals. Staff does not have any other solution to this problem other than the one that was presented on July 15, 2014, or this potential solution that is being presented now.

Based upon the City's 2015 sales tax, if the citizens of Oroville were to approve a 0.25% (one-quarter percent) sales tax for public safety personnel, approximately \$894,580 could be collected. A 0.5% (one-half percent) additional sales tax could collect approximately 1,789,160. A 0.75% (three-quarter percent) additional sales tax could collect approximately \$2,683,740 and a 1% additional sales tax could collect approximately \$3,578,320, annually.

What a 0.75% sales tax means to the average person is for every \$100 dollars spent that is subject to sales tax, the person would pay an additional .75 cents. Additionally, this sales tax would take the entire burden of the cost of public safety off of the residents of Oroville. This sales tax would spread the cost to all who do business in Oroville and potentially utilize the services of the Public Safety Department.

These increased revenues, along with current levels of funding, would allow the Public Safety Department the growth that is desperately needed. At the upper end of this funding this could mean as many as 16 new safety employees to serve the citizens of Oroville.

The process for getting this type of ballot measure must begin with the amendment of the City Transactions and Use Tax of the Oroville City Code. This type of measure must be consolidated with a regularly scheduled general municipal election for members of the governing body of the local government, except in cases of fiscal emergency declared by a unanimous vote of the governing body. In order to correctly bring forward to the citizens of Oroville this proposal, it is necessary to conduct a series of meetings to adequately and openly discuss the provisions of the amendment. Staff proposes a series of five meetings covering the topics of type of tax, percentage of tax, duration of tax, citizen oversight of tax, alteration of use of tax, and overall approval of ordinance amendments.

The first step in this process is the determination as to what type of tax the Council will pursue. On March 21, 2016, the City Council met at a special meeting to discuss this proposal. At the meeting, the City Council decided to pursue a Sales Tax increase and that this proposal should be a General Sales Tax.

GENERAL SALES TAX:

These taxes are not special taxes within the meaning of Section 1(d) of Article XIIC of the California Constitution, but are general taxes imposed for general

government purposes. All taxes imposed by any local government shall be deemed to be either general taxes or special taxes. No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote.

(50% +1 for approval).

Duration of Sales Tax (Sunset):

On April 5, 2016 to continue the process to formulate the ballot question for the electorate, direction was needed as to the duration of the Sales Tax. It was strongly suggested that this proposed Sales Tax contain a "Sunset" clause. Since this is going to be proposed as a General Sales Tax and General Sales Tax must coincide with Council elections it was recommended this Sales Tax expire Six (6) years after voter approval and implementation. The City Council agreed with this recommendation and gave direction to include this provision in the Ordinance.

Citizen Oversight:

An important part of the proposal is the oversight of how this money is used. A general mistrust of government is prevalent throughout the Country. To help alleviate this mistrust it would be an option to provide citizen oversight. Citizen oversight would consist of interested citizens and two Council members. This oversight board would meet quarterly to receive information as to how much money was generated from the Sales Tax for the previous quarter and how was the money expended. This committee would be responsible to report back to the full City Council and the Community as to the status of the collection and use of the Sales tax. The City Council agreed with this recommendation and gave direction to include this provision in the Ordinance.

Alteration of use of funding:

One point of contention still remains to be discussed and determined. This issue is the alteration of the use of this funding. The proposed wording currently outlines the use of the money to be for Police Officers, Fire Fighters, Municipal Law Enforcement Officers, Dispatchers, Public Works Mechanic (for maintenance and repair of public safety equipment), Financial Analyst (for processing of accounts payable, accounts receivable, grant management, payroll, revenue and expenditure tracking and budget management of the Public Safety Department), and a Human Resource Analyst (for the Human Resource needs of the Public Safety Department).

At the meeting on April 5, 2016, City Attorney Huber provided the opinion that to include a non-alteration clause would invalidate this Sales Tax proposal.

Staff is requesting direction on the percentage of Sales Tax for this proposal.

Option A: 0.25% sales tax for public safety personnel, approximately \$894,580 could be collected. If the Council approved this percentage and the Citizens approve it as well the Public Safety Department would be able to add the following personnel, 2 Police Officers and 2 Fire Fighters.

Option B: 0.5% sales tax for public safety personnel, approximately \$1,789,160.00 could be collected. If the Council approved this percentage and the Citizens approve it as well the Public Safety Department would be able to add the following personnel, 5 Police Officers, 3 Fire Fighters, and 2 Dispatchers.

Option C: 0.75% sales tax for public safety personnel, approximately \$2,683,740.00 could be collected. If the Council approved this percentage and the Citizens approve it as well the Public Safety Department would be able to add the following personnel, 7 Police Officers, 4 Fire Fighters, 2 Dispatchers, 2 Municipal Law Officers, and 1 Financial Analyst.

Option D: 1% sales tax for public safety personnel, approximately \$3,578,320.00 could be collected. If the Council approved this percentage and the Citizens approve it as well the Public Safety Department would be able to add the following personnel, 9 Police Officers, 5 Fire Fighters, 2 Dispatchers, 4 Municipal Law Officers, 1 Mechanic, 1 human Resource Analyst and 1 Financial Analyst.

Year 1

Position	¼ %	½ %	¾ %	1%
Police Officers	X	X	X	X
Fire Fighters	X	X	X	X
Dispatchers		X	X	X
Municipal Law			X	X
Mechanic				X
Financial Analyst			X	X
Human Resource Analyst				X

After year one of this proposal, the staffing levels of Police Officer and Fire Fighters would increase by one position. The additional money will be realized due to the fact new equipment will not have to be purchase once the initial implementation of this proposal has taken affect.

It is further recommended that any monies that are realized from this Sales Tax be set aside for future cost such as increased employee cost from state mandated programs such as PERS, and for Capital Equipment replacement i.e.: (fire trucks, police cars and Police and Fire protective equipment).

Staff is requesting direction on how the City Council would like to proceed.

If adequate direction is provided, staff will return to Council during the second meeting in May with the proposed Ordinance and Ballot Measure Language for the Council's final approval and submission to the County Election Clerk.

FISCAL IMPACT

No impact at this time.

RECOMMENDATION

Provide direction, as necessary.

ATTACHMENTS

None

[HOME](#)[POLICY AREAS](#)[PUBLICATIONS](#)[THE 2014-15 BUDGET](#)[PROPOSITIONS AND INITIATIVES](#)[STAFF](#)[CAREERS](#)[ABOUT THE LAO](#)

May 5, 2015

Understanding California's Sales Tax

[Report in PDF](#)[Companion Video](#)

In This Report

[Introduction](#)[Overview](#)[What Is Taxed?](#)[What Are the Rates?](#)[Where Does the Money Go?](#)[Are Revenues Growing?](#)

Introduction

California's state and local governments levy a tax on retail sales of tangible goods. This tax has two parts:

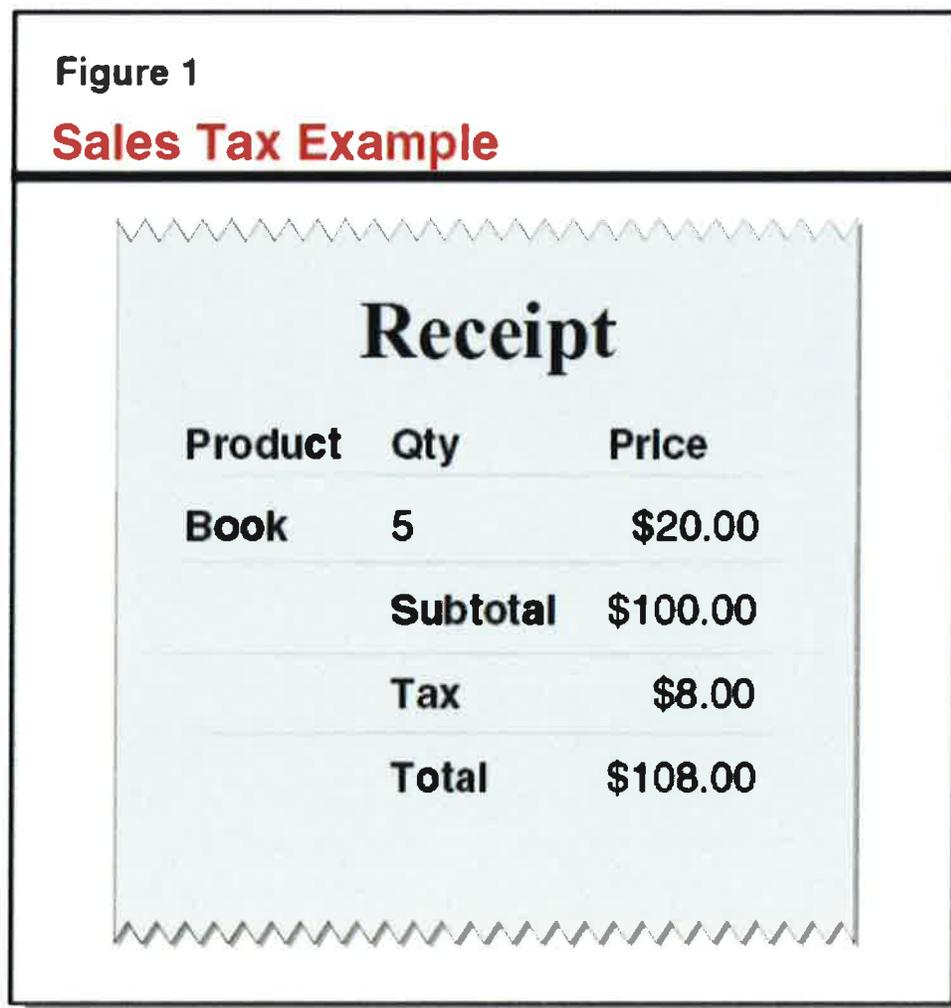
- **Sales Tax on Retailers.** When California retailers sell tangible goods, they generally owe sales tax to the state. Retailers typically add sales tax to the price they charge customers and show it as a separate item on sales receipts.
- **Use Tax on Buyers.** State law requires buyers to pay a use tax on certain purchases of tangible goods if the retailer does not pay California sales tax. Some internet purchases from out-of-state retailers fall into this category. The use tax rate is the same as the sales tax rate.

This report begins with an overview of California's sales and use tax. It then provides more detail about which transactions are subject to this tax, the variation in tax rates across the state, the distribution of revenue among state and local governments, and revenue growth over the last few decades. For simplicity, we refer to the state's combined sales and use tax as the "sales tax."

Overview

Retail Sales Generate Tax Revenue

The amount of sales tax generated by a sale depends on the tax rate and the dollar value of the goods sold. Figure 1 shows how the sales tax is calculated if a retailer sells five books costing \$20 each and the tax rate is 8 percent. As discussed later in this report, California's sales tax rate varies across cities and counties, ranging from 7.5 percent to 10 percent. The state's average rate is 8.5 percent.



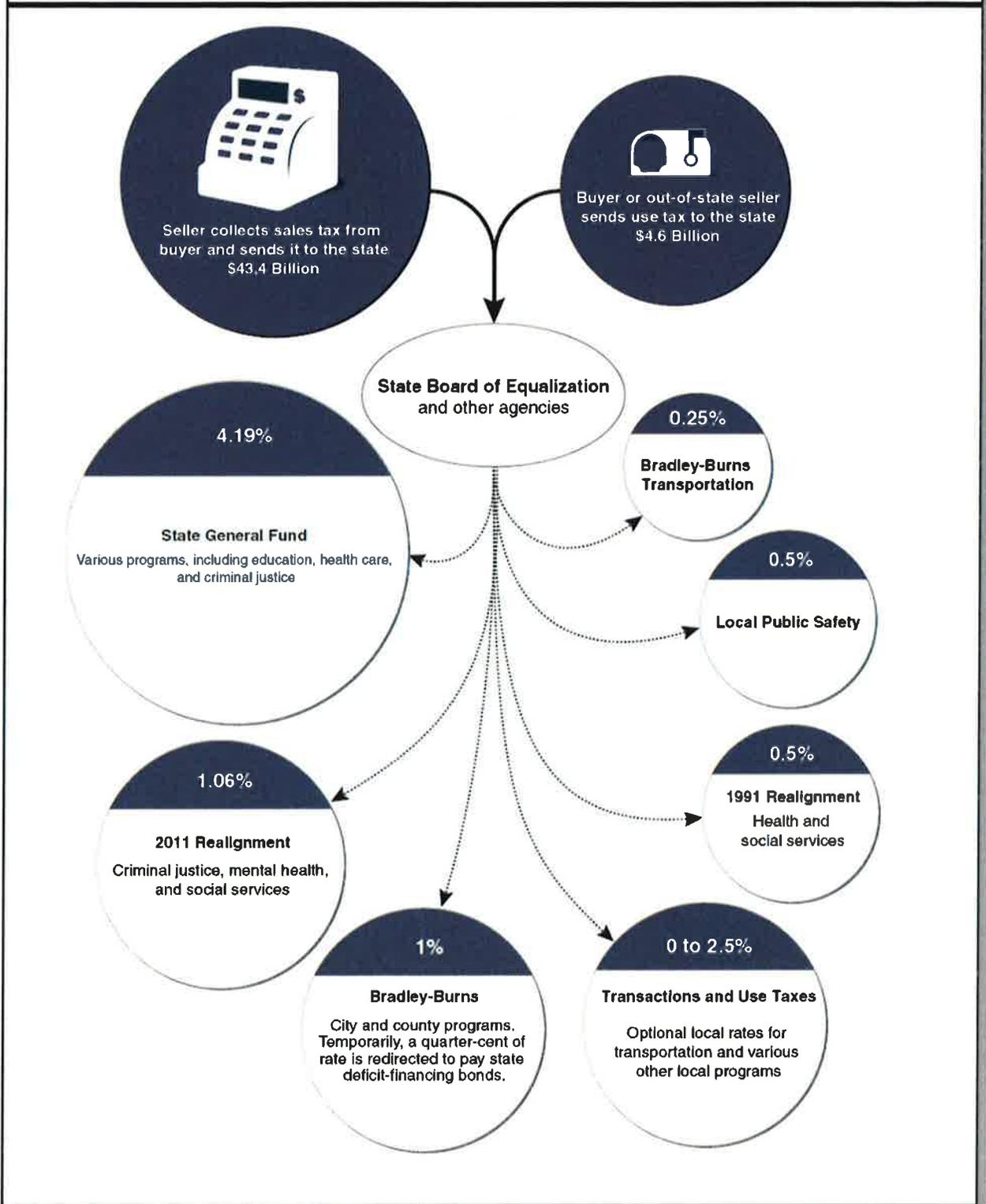
In 2013–14, buyers and sellers of tangible goods paid \$48 billion in sales tax, equivalent to roughly \$1,300 for every resident of California. The State Board of Equalization (BOE) is the primary entity responsible for collecting and administering the tax. Other agencies are also involved in use tax collection: the Department of Motor Vehicles collects use tax on private sales of used vehicles, and the Franchise Tax Board collects use tax reported on personal income tax returns.

Revenue Used for Many State and Local Purposes

Most Sales Tax Revenue Available for General Purposes. After the state collects sales tax revenue, it allocates the money to various state and local funds. As shown in Figure 2, roughly half—collected from an approximately 4.2 percent rate—goes to the state's General Fund and can

be spent on any state program, such as education, health care, and criminal justice. Another 1 percent, known as the Bradley-Burns rate, goes to cities and counties for general purposes. (As described in the box Cities Compete for Bradley-Burns Revenue later in this report), the state has temporarily reduced this rate to 0.75 percent, replacing the reduced local government revenues with other revenues. The Bradley-Burns rate will return to 1 percent by 2016.) Additionally, some local governments levy optional local rates—known as Transactions and Use Taxes (TUTs)—and a small portion of these funds are used for general purposes.

Figure 2
Sales Taxes: From Collection to Distribution



Rest of Sales Tax Revenue Used for Specified Purposes. Four sales tax funds have uniform state rates and support specified programs—an approximately 1.1 percent rate for 2011 realignment (county-administered criminal justice, mental health, and social service programs); a 0.5 percent rate for 1991 realignment (county-administered health and social services programs);

a 0.5 percent rate for city and county public safety programs pursuant to Proposition 172 (1993); and a 0.25 percent Bradley–Burns rate for county transportation programs. In addition, most of the revenue from the optional TUTs is used for specified purposes, primarily transportation programs.

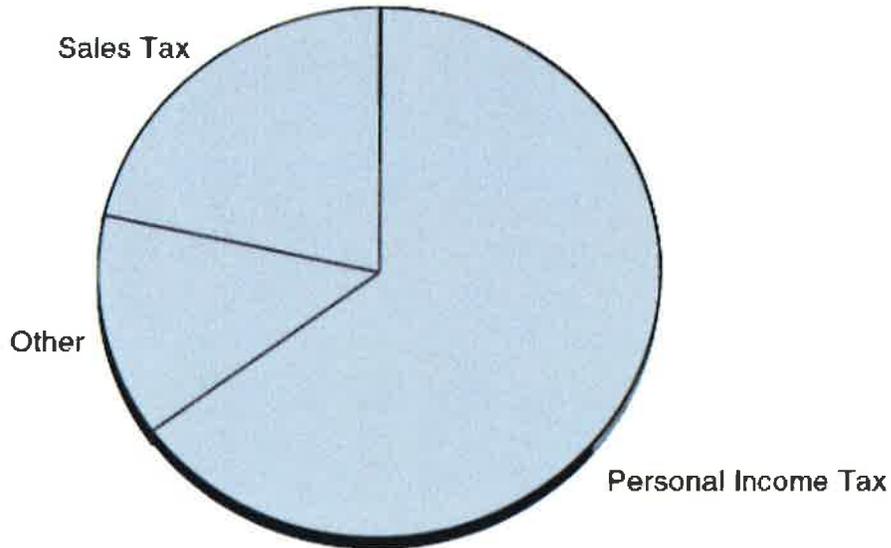
Sales Tax Is a Significant Source of Revenue for the State. As shown in Figure 3, the sales tax is the second–largest revenue source for the state's General Fund, accounting for one–fifth of its revenue. The largest General Fund revenue source, the personal income tax, accounts for two–thirds of revenue. The relative contributions of these taxes has changed over time. In the 1950s, the sales tax accounted for the majority of General Fund revenue, while the personal income tax contributed less than one–fifth. Since then, personal income tax revenue has grown rapidly due to growth in real incomes, the state's progressive rate structure, and increased capital gains. As described later in this report, sales tax revenue has grown more slowly in part because consumers are spending a declining share of income on taxable goods.

Figure 3

Sales Tax Is a Significant Source of State and Local Revenue

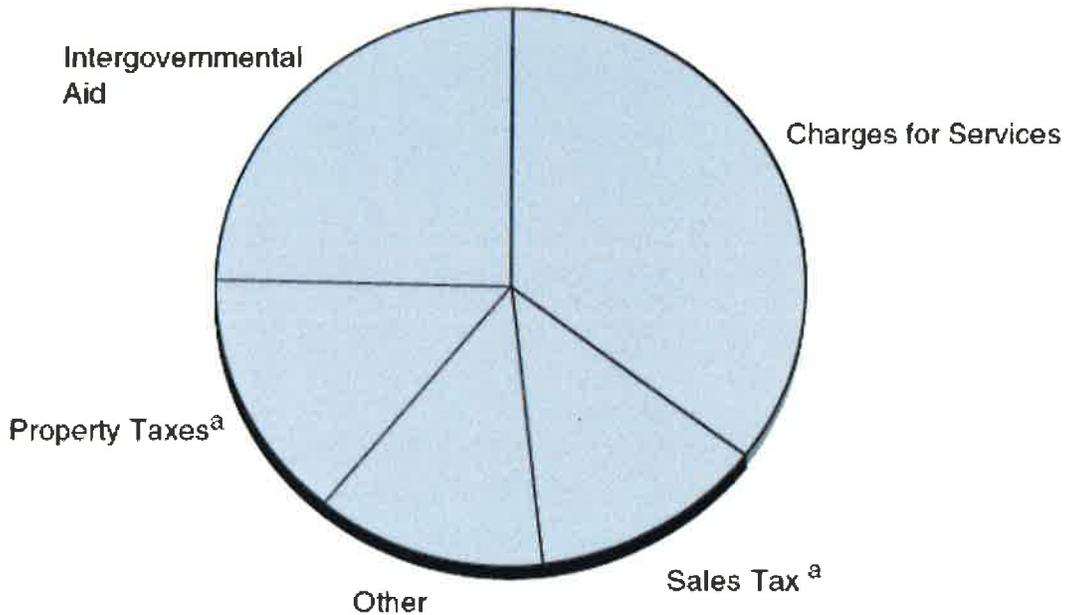
2013-14

State General Fund



Local Revenue

Cities, Counties, Special Districts, and Transportation Agencies



^a Includes effects of "triple flip," which replaces some local sales tax revenue with property tax revenue. After the triple flip ends (by 2016), sales taxes will make up a slightly larger share of revenues than shown in the figure and property taxes will make up a smaller share.

Sales Tax's Role Varies Across Local Governments. Overall, the sales tax is local governments' fourth-largest revenue source, but different types of local governments rely on this tax to different degrees. For example, the sales tax is a primary funding source for transportation agencies, but fire and water special districts do not receive any sales tax revenue. In addition, the sales tax is a significant revenue source for cities and counties, but those local governments face different constraints in the use of sales tax funds. Specifically, a large share of city sales tax revenue comes from the 1 percent Bradley-Burns rate and can be used for general purposes. In contrast, most county sales tax revenue is allocated to the two realignment funds, which are earmarked for specific programs.

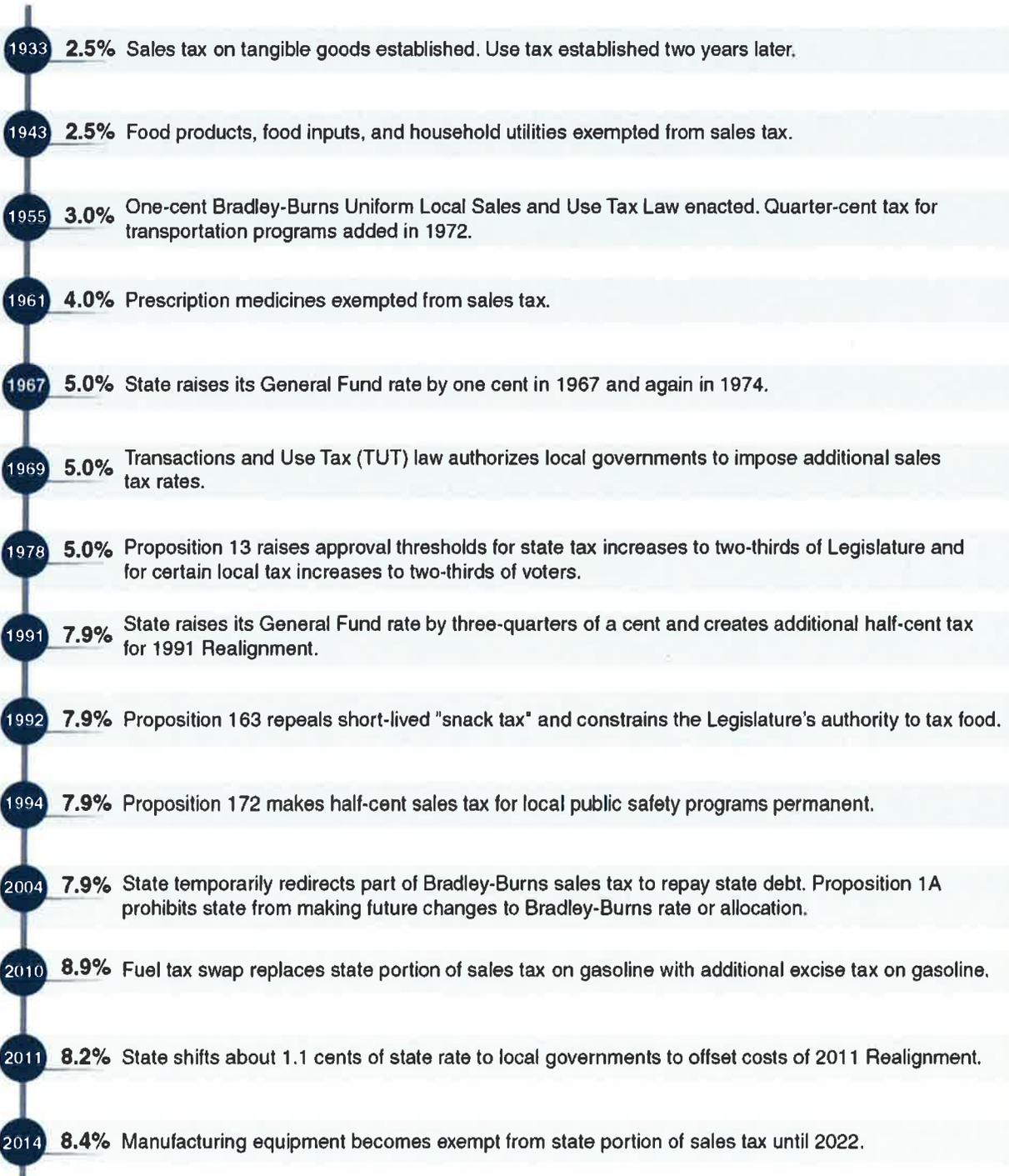
The Sales Tax Has Changed Over Time

California has had a sales tax for eight decades, but the tax we have today is dramatically different from the initial one. When California created its sales tax in 1933 and its use tax in 1935, the rate was 2.5 percent and all revenue went to the state's General Fund. Since then, the overall tax rate has more than tripled, the use of sales tax revenue has become more local and more restricted, and many types of tangible goods have become exempt from the tax. Figure 4 highlights some of the major changes, which generally fall into the following categories:

- **Rate Increases.** Three groups of rate increases have led to the current average sales tax rate of 8.5 percent. The first group has authorized local taxes: the Bradley-Burns rate for general purposes in 1955, the TUT Law for optional local rates in 1969, and the Bradley-Burns rate for transportation in 1972. The second group has increased the rate for the state's General Fund, including one-cent hikes in 1967 and 1974. The third group has imposed new state rates for local programs: the 1991 realignment rate for health and social services and the Proposition 172 (1993) rate for public safety.
- **Exemptions.** The Legislature has exempted certain tangible goods from sales tax, including food, prescription medicine, household utilities, manufacturing equipment, and a variety of goods related to agriculture. (We discuss some sales tax exemptions later in the report.)
- **Constitutional Restrictions.** Ballot measures have amended the California Constitution in ways that limit the Legislature's authority to make future changes to the sales tax. Proposition 13 (1978) sets a two-thirds vote threshold for (1) the Legislature to enact state tax increases and (2) local governments to approve certain tax increases. Proposition 163 (1992) constrains the Legislature's authority to tax food. Proposition 1A (2004) prohibits the Legislature from (1) lowering the Bradley-Burns local sales tax or TUT rates or (2) changing the allocation of these revenues. Proposition 26 (2010) subjects a wider array of state tax changes to Proposition 13's two-thirds legislative approval threshold.

Figure 4

California's Sales Tax: Major Developments and Rate Changes^a



^a Excludes most rate changes that have (1) already expired or (2) that are smaller than half a cent (including Proposition 30 of 2012's temporary quarter-cent increase). Also excludes some sales taxes collected by local governments prior to 1955.

What Is Taxed?

Sales Tax Applies to Tangible Goods

California levies its sales tax on the retail sale of tangible personal property. State law defines these terms as follows:

- "Retail sale" excludes goods that businesses purchase for resale. It also generally excludes materials that go into products.
- "Tangible" generally refers to physical materials that people can touch. Products that are not tangible—such as services or digital goods—are not subject to sales tax.
- "Personal property" is movable from one place to another. Real property—land and things that are attached to land, like buildings—is not subject to sales tax.

California's sales tax applies to a retailer's sales to most buyers, including individuals, businesses, nonprofit and religious organizations, and California's state and local governments. However, sales to some buyers, such as the federal government, are exempt from tax.

Sales Taxes on Discounted Goods. When a retailer sells a taxable good at a discount—through a club card, a retailer's coupon, or an online "deal of the day"—the retailer generally calculates sales taxes based on the product's discounted price, not its full retail price. However, for some types of discounts, sales tax applies to the full retail price before the discount is applied. Specifically, if the customer compensates the retailer for the discount—for example, by trading in a used car—then sales tax generally applies to the full retail price, not the discounted price. In addition, if the discount is available only through a bundled transaction (such as a mobile phone purchased together with a service contract), then sales tax applies to the full unbundled price of the taxable good (the full retail price of the mobile phone).

When Is Use Tax Due?

Sometimes, California consumers buy tangible goods from retailers who do not collect California sales tax. Those consumers generally owe use tax. For example, use tax is due in these common situations:

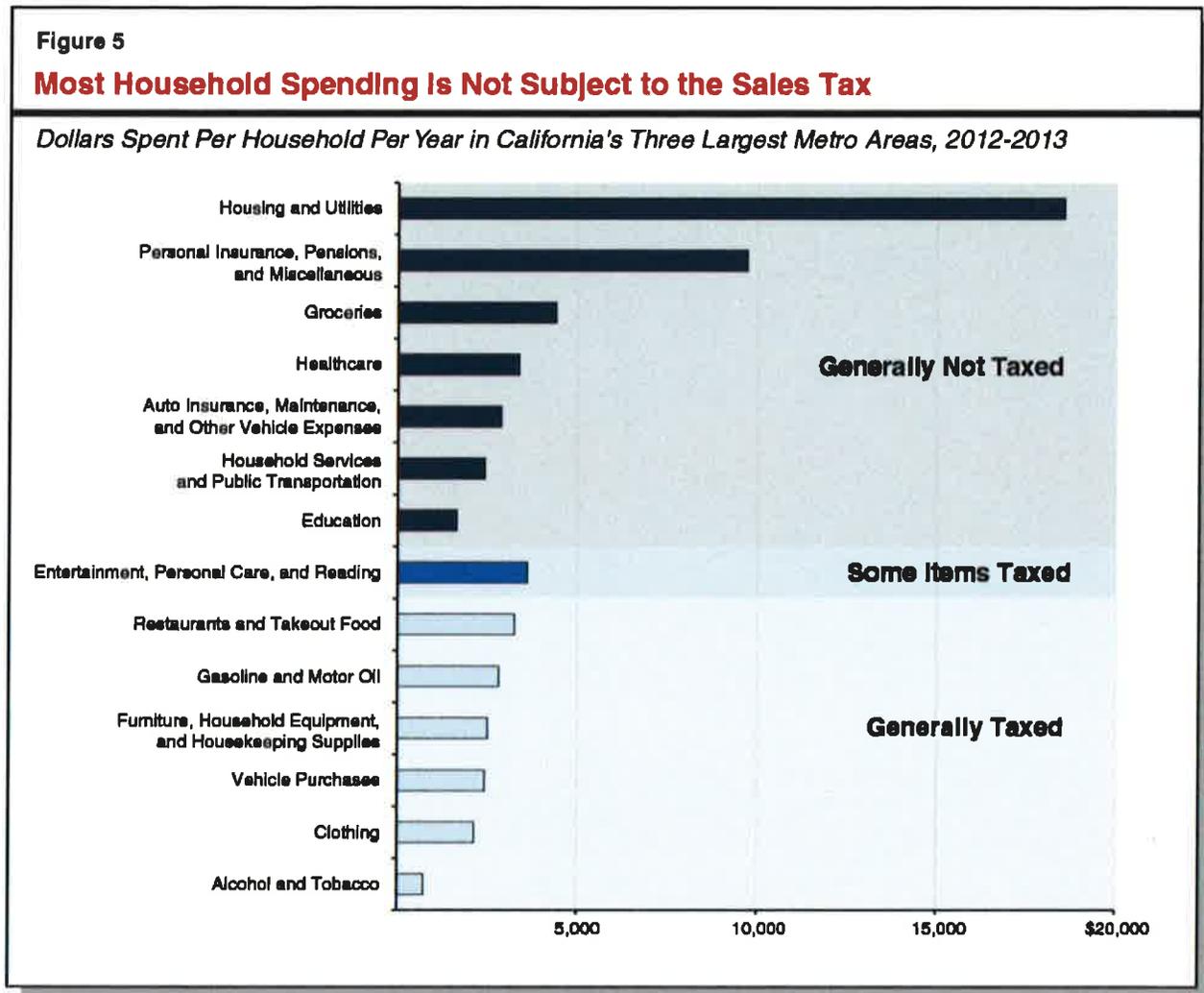
- **Bringing Out-of-State Purchases Into California.** Californians purchase tangible goods while they are traveling outside of the state. When they use those goods in California, they owe California use tax.
- **Making Online Purchases From Out of State.** Sales tax applies to tangible goods Californians purchase over the Internet. If the seller does not collect the tax on a taxable item (possibly because the seller is not located in California), the consumer owes use tax.
- **Buying a Car From a Private Party.** Individuals often sell used cars directly to other individuals. When this happens, the purchaser owes use tax. (Individuals who frequently sell used cars, however, are required to register as a retailer with the BOE and pay sales taxes.)

As discussed later in this report, many Californians are not familiar with the use tax, and compliance with this tax is uneven.

Household Spending and the Sales Tax

Most Household Spending Not Subject to Sales Tax. Figure 5 divides spending by households in California's largest metropolitan areas—on average, about \$60,000 per year—into 14 categories. Some categories of household spending—such as restaurant food, furniture, cars, and clothes—generally are subject to the sales tax. However, many other categories are not. For example, housing—by far the largest expenditure category—generally is not subject to sales tax. Homes attached to land are real property rather than personal property, so their sale is not subject to sales tax. (However, homes are subject to property taxes.) Household utilities generally are not subject to sales tax but often are subject to local utility user taxes. Groceries and

prescription medicines are also exempt from sales tax, along with many other tangible goods that account for small portions of household spending.



Many household purchases are not subject to sales tax because they are not tangible personal property. For example, insurance, healthcare, and education are generally not part of the “tax base”—the set of things taxed—because they are not tangible goods. However, sales tax does apply to a very limited number of services that are closely connected to sales of tangible goods, such as mandatory service charges at restaurants.

Each Household's Taxable Spending Fluctuates From Year to Year. Some taxable sales are “big-ticket items”—infrequent, major purchases of durable goods, like cars or household appliances. In some years, a household might make several such purchases, resulting in relatively high sales tax payments. In other years, the same household might not make any such purchases, resulting in much lower sales tax payments.

Some Untaxed Products Are Similar to Taxed Goods

As shown in Figure 6, many similar items are treated differently for sales tax purposes.

Figure 6
Subject to Sales Tax?

YES	NO
<p>DVD rentals</p> 	<p>Movies viewed at theatres</p> 
<p>Books printed on paper</p> 	<p>Electronic books</p> 
<p>Over-the-counter pain medication</p> 	<p>Prescription pain medication</p> 
<p>Fresh-baked pizza (pickup or delivery)</p> 	<p>Take-and-bake pizza</p> 
<p>Pine trees</p> 	<p>Pear trees</p> 
<p>Newspaper subscriptions</p> 	<p>Magazine subscriptions</p> 

Some Services Are Similar to Tangible Goods. Under California law, DVD purchases and rentals are subject to sales tax, but movies viewed at theaters are not. From a consumer's perspective, the experiences are similar—all involve watching a movie. However, DVD consumers acquire physical objects, which are tangible goods and therefore subject to sales tax. Seeing a movie at a theater, in contrast, is a service, not a physical object. When consumers purchase such services, they do not pay sales tax—even if they could have similar experiences by buying or renting tangible goods.

Some Digital Goods Are Similar to Tangible Goods. DVDs are subject to sales tax, but streamed or downloaded movies are not. Books printed on paper are subject to sales tax, but electronic books are not. Digital goods are not tangible, so sales tax generally does not apply to them. As a result, many goods are taxable in tangible form but not in digital form.

Some Exempt Tangible Goods Are Similar to Taxed Tangible Goods. Over-the-counter pain medication is subject to sales tax, but prescription pain medication is not. The Legislature created the sales tax exemption for prescription medicine in 1961.

Some Exempt Food Items Are Similar to Taxed Food Items. Food for home consumption is exempt from sales tax. In practice, it can be difficult to identify whether a particular food item is for home consumption, so the state has developed a complex system of rules for distinguishing taxable food from exempt food. One such rule is that food heated right before it is sold is generally subject to sales tax. For example, fresh-baked pizza—whether picked up by the customer or delivered by the seller—is subject to sales tax. However, "take-and-bake" pizza—which is not heated prior to sale—is exempt from sales tax. Similarly, a sandwich purchased to go may shift from tax-exempt to taxable if the customer chooses to have the bread toasted.

Constitutional Restriction on Food Tax Rule Changes. In 1991, the state passed a law that extended the sales tax to certain foods—popularly known as the "snack tax." In 1992, a ballot measure (Proposition 163) amended the California Constitution, repealing the snack tax and constraining the Legislature's authority to tax food.

Many Goods Used to Produce Food Also Exempt. People who landscape their yards with pine trees pay sales tax. If they bought pear trees instead their purchases would not be taxed. Pear trees are exempt from sales tax because they produce food for human consumption. This exemption applies to plants, animals, seeds, fertilizer, feed, and medicine used for food production.

Some Exemptions Are Narrow. Magazine subscriptions are exempt from sales tax. However, magazines sold at stores are taxed, as are subscriptions to daily newspapers. This narrow exemption—like many others—emerged from efforts to balance a variety of competing interests. The Legislature created a broad sales tax exemption for all types of periodicals in 1945. In 1991, lawmakers eliminated this exemption as part of a broader effort to raise revenue. After magazine publishers objected to this change, the Legislature reinstated the exemption for magazine subscriptions but not for other sales of periodicals.

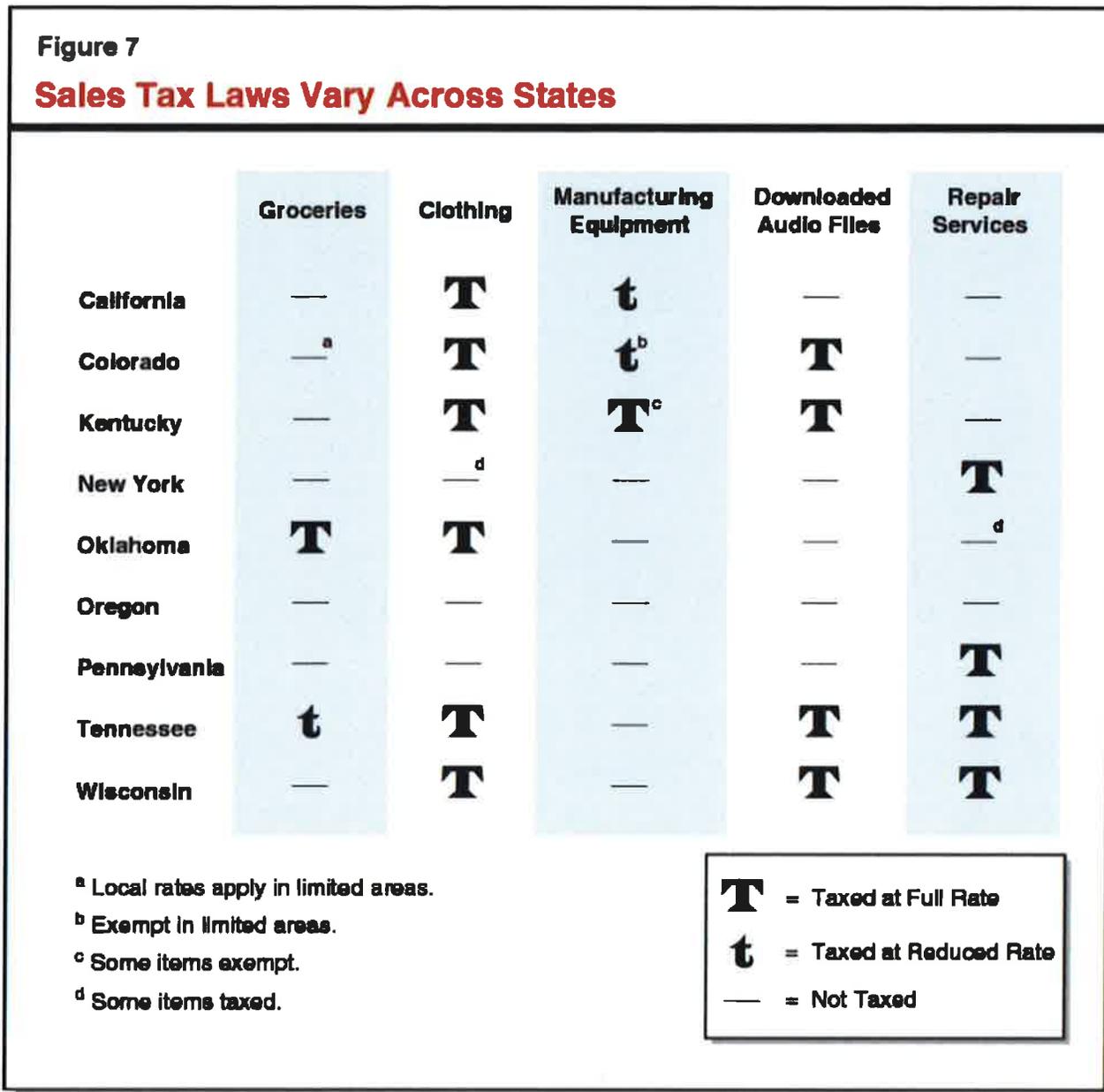
Sales Tax Bases Vary Across States

Most States Have State and Local Sales Taxes. Most states assess sales tax at the state and local levels. Some states, like Kentucky, have sales taxes at the state level but do not allow local governments to levy local sale taxes. Alaska is the opposite—local governments impose sales taxes, but the state does not.

A few states, such as Hawaii, levy taxes that are similar to sales taxes, but broader. These "gross receipts taxes" apply to many types of transactions, not just retail sales. A handful of states, like Oregon, do not levy sales or gross receipts taxes.

Exemptions for Tangible Goods Vary Across States. The nine states listed in Figure 7 highlight the wide range of variation in state sales tax policies. The first three columns of the

figure highlight cross-state variation in exemptions for three types of tangible goods: groceries, clothing, and manufacturing equipment.



As shown in the figure, groceries are completely exempt from sales tax in many states, including California. Some states—like Oklahoma—tax groceries at the full rate, while other states—like Tennessee—tax groceries at a reduced rate. Although many states exempt groceries, some of these exemptions are narrower than California's. For example, Wisconsin levies sales taxes on various "snack foods"—a policy that California voters prohibited when they approved Proposition 13 in 1992.

Taxation of clothing also varies across states. In Pennsylvania, most clothing is exempt. New York charges sales tax on clothing items over \$110 but exempts less expensive items. California, like many other states, taxes clothing at the full rate.

As shown in the third column, many states exempt manufacturing equipment from sales tax. Some states, like Kentucky, generally tax manufacturing equipment at the full rate but offer some limited exemptions. Other states, like California and Colorado, tax manufacturing equipment at a reduced rate. Since 2014, California has exempted manufacturing equipment from the General

Fund portion of the sales tax rate but not from the other parts of the rate. (Under current law, this partial exemption will expire on July 1, 2022.)

Taxation of Digital Goods Varies Across States. The fourth column of the figure shows that some states levy sales taxes on downloaded music files. Some of these states, like Wisconsin, have passed laws expanding their sales tax bases to include digital goods in addition to tangible goods. Others, like Colorado, tax digital goods because they interpret "tangible personal property" more broadly than California does. In both cases, states that tax digital goods must tackle some difficult legal issues. For example, they must develop—and then enforce—rules for determining where digital goods are sold.

Taxation of Services Varies Across States. Some states, like California, charge sales tax on a very small set of services—those that are essentially inseparable from sales of tangible goods. However, some states charge sales tax on a broader range of services, such as services performed on tangible goods. For example, some of the states shown in the figure levy sales taxes on automotive and appliance repair services.

Some States Have Locally Varying Sales Tax Bases. In California and many other states, the sales tax base is standard across cities and counties. That is, a retail transaction that is taxable in one part of the state is taxable in other parts of the state. However, in other states, like Colorado and New York, sales tax bases vary considerably across local areas. For example, New York City's sales tax applies to various personal care services, like haircuts, that are not taxed elsewhere in New York State. In Colorado, groceries and manufacturing equipment are exempt from the state's sales tax but are taxed in some cities. Colorado's largest cities exempt groceries, but some smaller cities do not. Manufacturing equipment is partially exempt in some areas of Colorado but fully exempt in others.

Changing the Sales Tax Base

In the eight decades since California created its sales tax, the state has made several major changes to the tax base. Most of these changes have narrowed the base by exempting certain types of tangible goods. For example, the Legislature is currently considering additional exemptions for various tangible goods, including energy-efficient appliances, low-emission vehicles, and diapers.

In recent years, lawmakers have also considered whether to expand the base. For example, the *2009–10 Governor's Budget* included a proposal to apply the sales tax to veterinarian services, amusement parks, sporting events, golf, and various repair services. The Legislature is currently considering a bill (SB 8 [Hertzberg]) that would create a broad sales tax on services with some specified exemptions.

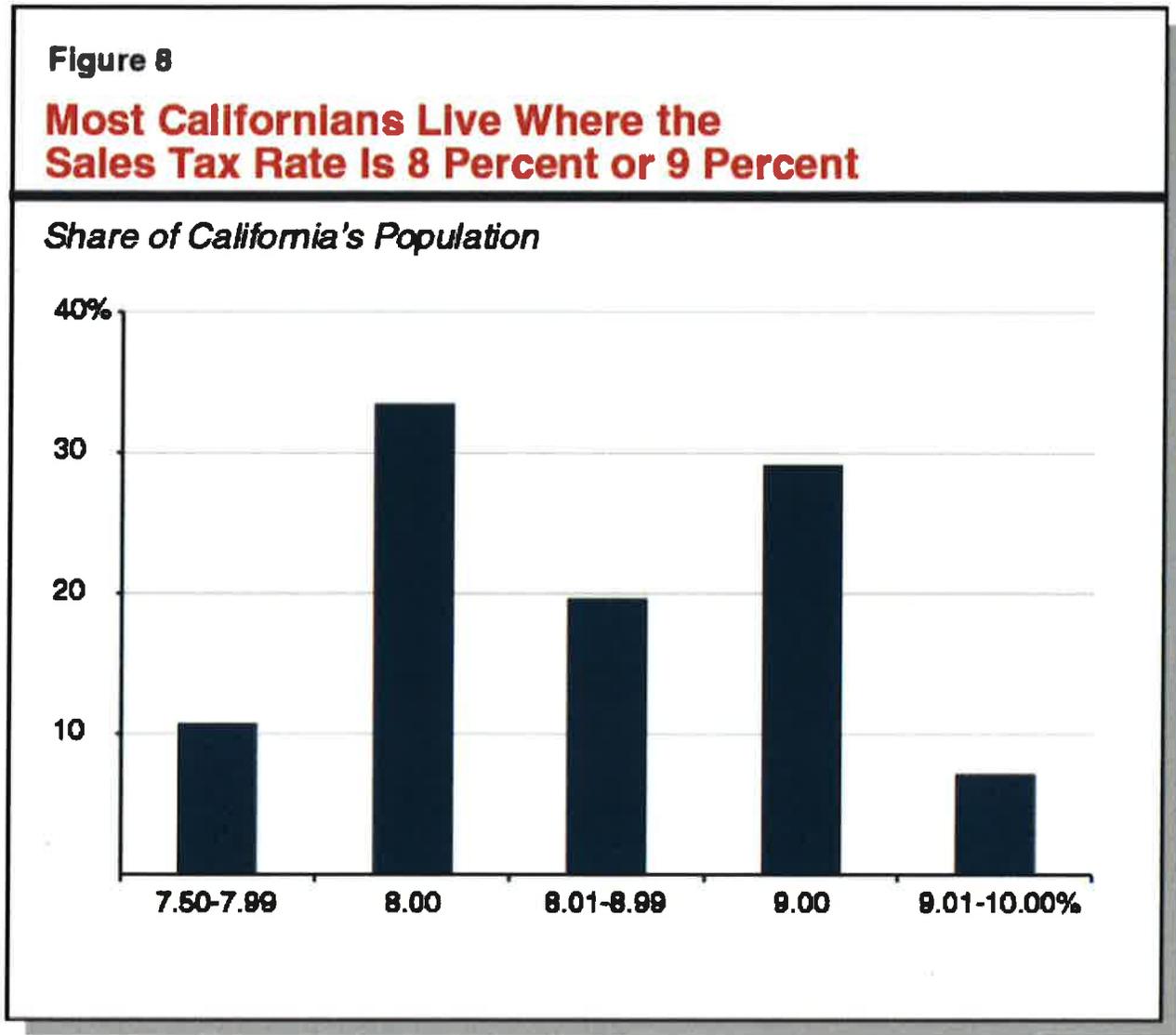
As discussed earlier, every state makes decisions as to which purchases by households and businesses are subject to sales taxes—and these decisions change over time. Thus, the Legislature could enlarge or reduce the set of purchases subject to the sales tax. As the Legislature considers its options, it is important to note that the California Constitution limits the Legislature's authority to include certain items (such as food or insurance) in the sales tax base. In addition, legislation narrowing the base of a tax can be approved by a majority vote of the Legislature, but expanding the tax base requires approval by two-thirds of the Legislature.

What Are the Rates?

Sales Tax Rates Vary Across Cities and Counties

California's Rates Range From 7.5 Percent to 10 Percent. The state's average rate is roughly 8.5 percent, including a quarter-cent established by Proposition 30 of 2012. (This quarter-cent rate is scheduled to expire at the end of 2016.) Although California's cities and counties have

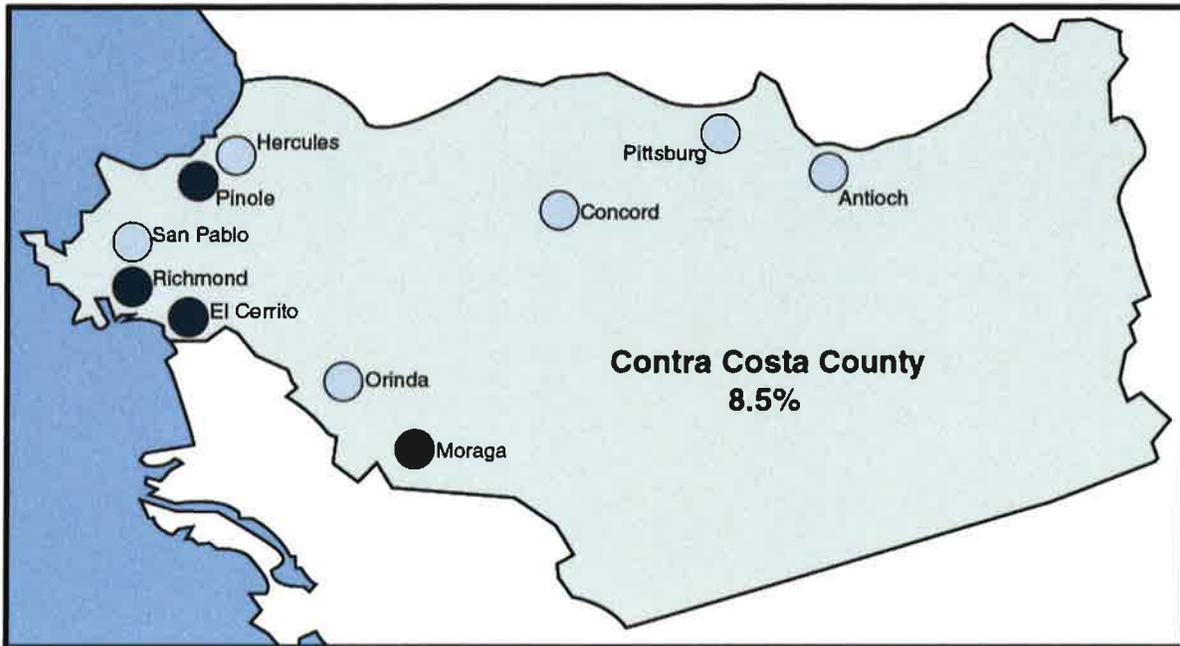
many different sales tax rates, two rates are much more common than others. As shown in Figure 8, almost two-thirds of Californians live in cities or counties with 8 percent or 9 percent rates. The remaining third live in places with other rates. While many rural counties have the lowest rate (7.5 percent), some of these counties contain cities with higher rates. Eight cities have the highest rate, 10 percent. (The tax rates described in this report are as of May 1, 2015.)



California's major population centers include cities and counties with a wide range of sales tax rates. Figure 9 illustrates this variation in two counties: Contra Costa and Los Angeles. Specifically, the figure (1) shows the sales tax rate charged in most cities and the unincorporated area of each county and (2) identifies the cities in each county with sales tax rates that are higher than elsewhere in the county. As shown in the figure's top panel, ten cities in Contra Costa County have sales tax rates higher than the 8.5 percent rate charged in the county's unincorporated area and other Contra Costa cities. As shown in the figure's bottom panel, the sales tax rate charged in most of the Los Angeles County is 9 percent. Eleven Los Angeles County cities, however, have rates ranging from 9.5 percent to 10 percent. This includes the nine cities shown in the figure's map of southern Los Angeles County and two cities (San Fernando and Avalon) located elsewhere in the county.

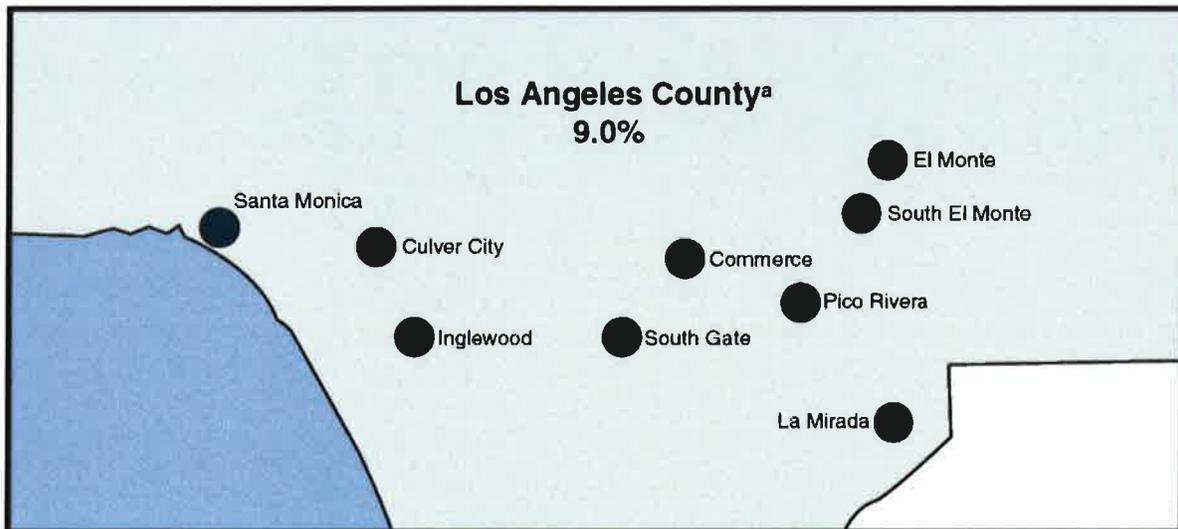
Figure 9
Sales Tax Rates Vary Within Counties

Rates as of May 2015



Cities With Higher Rates Than Rest of County

● 9.00 - 9.25% ● 9.50 - 10.00%



^a San Fernando and Avalon (not pictured) have 9.5 percent rates.

Which Rate Applies? For most taxed transactions, the location where the buyer takes possession of the good determines the sales tax rate. When residents of San Mateo shop in San Francisco, they pay the San Francisco rate, 8.75 percent. When they purchase items to be

delivered to their homes in San Mateo, they owe the San Mateo rate, 9.25 percent. Vehicle purchases are a key exception to this rule. When Californians buy cars—no matter where they take possession of them—they pay their locality's sales tax rate.

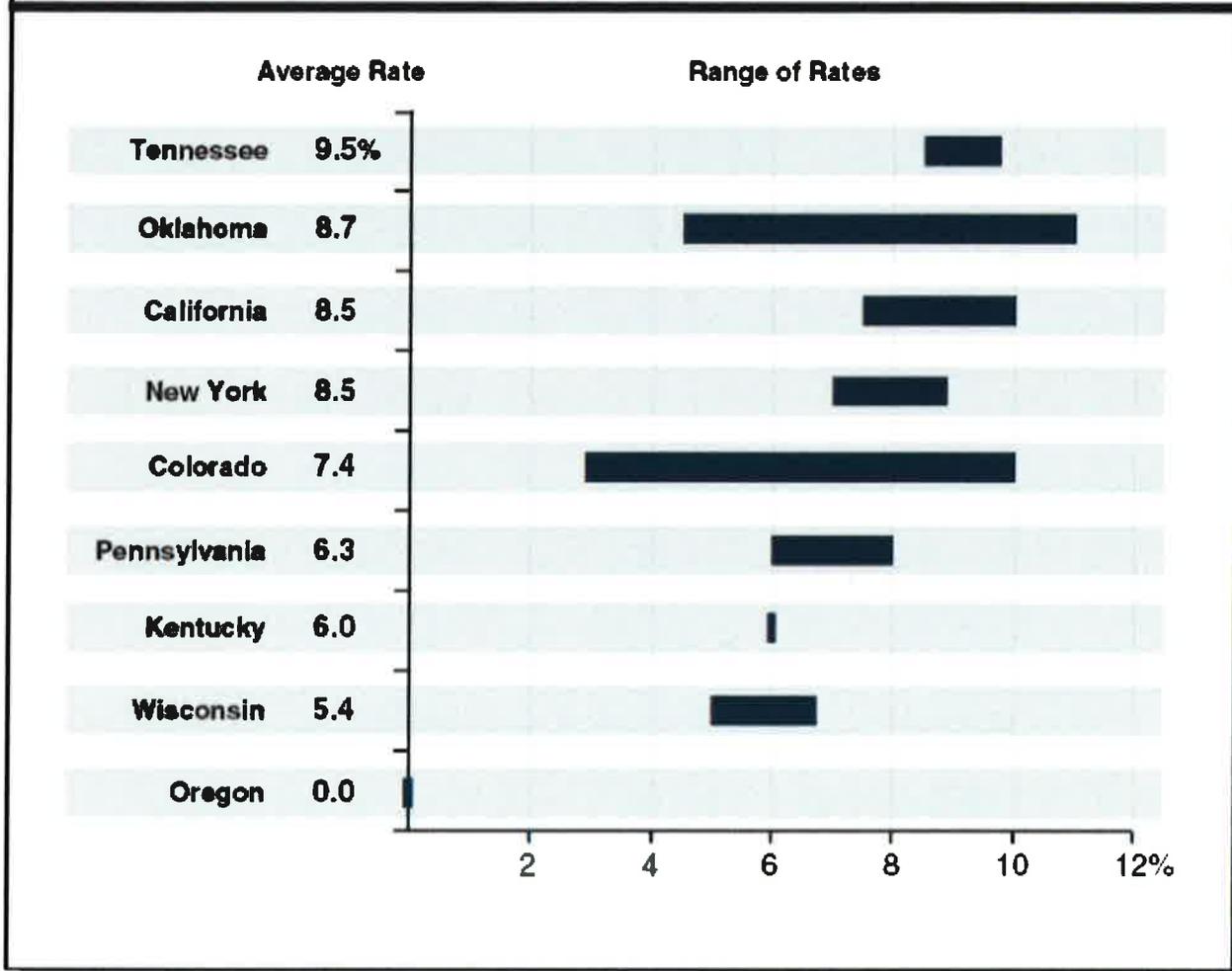
Local Decisions Regarding TUTs Drive Rate Differences. Sales tax rates vary across localities because cities and counties differ in their imposition of optional local taxes. Under the state's TUT Law, local governments may levy these TUTs in addition to the statewide rate of 7.5 percent. California's constitution requires local governments to submit proposed TUTs to voters. TUTs that set aside revenue for specific purposes are considered special taxes and need approval by two-thirds of their local voters to pass. Otherwise, they are general taxes and pass with a simple majority.

Under state law, the combined rate of all TUTs in an area generally cannot exceed 2 percent. (Legislation pending at the time this report was prepared, AB 464 [Mullin], would change this limit to 3 percent.) However, the Legislature has passed laws allowing certain local governments to exceed the 2 percent cap. As a result, eight cities have 10 percent sales tax rates—two and a half cents above the 7.5 percent statewide minimum.

Sales Tax Rates Vary Across States

States' Minimum Sales Tax Rates Vary. Figure 10 displays the rates for the states discussed earlier. Among states with sales taxes, Colorado has a relatively low minimum rate, 2.9 percent. Tennessee has a relatively high minimum rate, 8.5 percent. (These minimum rates are the lowest actual rates in each state. They are not necessarily the lowest rates allowed by state law.) As mentioned above, Oregon has no sales tax.

Figure 10
Sales Tax Rates Vary Across States



Local Tax Rates Vary. Most states have sales tax rates that vary across cities and counties, but some have uniform rates statewide. Kentucky, along with six other states, has a sales tax at the state level but not at the local level. As a result, its 6 percent rate is uniform throughout the state. Tennessee has local sales taxes, but the range of rates is relatively narrow—less than one and a half cents. At the other end of the spectrum, the difference between Colorado’s lowest and highest rate is more than seven cents.

States’ Maximum and Average Rates Vary. As shown in Figure 10, Kentucky’s maximum rate is six percent, while Oklahoma’s is 11 percent. Some states, like Pennsylvania and Wisconsin, have average rates that are close to their minimum rates. Other states, like New York and Tennessee, have average rates much closer to their maximum rates. Wisconsin’s average rate is 5.4 percent, while Tennessee’s is 9.5 percent. (These averages are weighted by population.)

Some States Apply Different Sales Tax Rates to Different Products. As discussed earlier, some states levy reduced sales tax rates on certain products. For example, California taxes manufacturing equipment and gasoline at lower rates than other goods. (We provide information about the state’s sales tax rates on fuel in the box below.) In other cases, states levy additional taxes—often known as “excise taxes”—on specific products. For example, California imposes excise taxes on fuel, cigarettes, and alcohol.

Different Sales Tax Rates Apply to Fuel. Prior to 2010, California applied the same sales tax rate to fuel as it did to other goods. Additionally, the state levied 18-cent-per-gallon excise taxes on gasoline and diesel fuels. In 2010, the Legislature enacted the "fuel tax swap"—a combination of sales tax and excise tax changes designed to give the state more flexibility in the use of fuel tax revenues. As a result, the state now applies special sales tax rates to gasoline and diesel. California's sales tax rate on gasoline is 5.25 cents lower than the rate on other goods. Offsetting this lower sales tax rate, the state has an extra excise tax on gasoline, in addition to the base rate of 18 cents per gallon. The additional tax rate—12 cents per gallon in 2015–16—changes once per year. The state uses the opposite approach for diesel fuel, with an extra sales tax rate and a reduced excise tax rate. The annual rate changes are designed to achieve "revenue neutrality" by cumulatively raising the same amount of revenue as would have been raised pursuant to the state's fuel tax laws in effect prior to the swap.

Where Does the Money Go?

As described earlier in this report, California's sales tax rate includes many distinct pieces. As the number of pieces has grown over time, the laws governing the allocation of sales tax revenue have grown more complex. This section discusses these allocation laws in three groups—statewide rates for state programs, statewide rates to support realigned programs, and other rates for local programs—and then highlights some exceptions to these allocation laws.

State Rates for State Programs

The largest component of the sales tax rate is the approximately 4.2 percent rate that goes to the state's General Fund. This revenue pays for a wide variety of programs, including K–12 education, higher education, health programs, and criminal justice. The General Fund rate includes a quarter-cent rate established by Proposition 30 (these revenues will expire at the end of 2016). In addition to the overall 4.2 percent General Fund rate, the state has set aside a quarter-cent sales tax for another state purpose: repaying debt. As described in the box below, this "triple flip" rate will likely end in 2015.

"Triple Flip" Rate Will Likely End in 2015. The Bradley–Burns rate for city and county operations—1 percent historically—is temporarily reduced to 0.75 percent. This temporary change is part of a budget maneuver called the triple flip that will likely end in 2015.

In 2004, the state borrowed money to pay for its accumulated budget debts. To repay the borrowed money, it imposed a quarter-cent state sales tax rate to deposit into a newly created Fiscal Recovery Fund. To keep the overall sales tax rate constant, the state reduced the local Bradley–Burns rate by a corresponding quarter-cent. That substitution was one of three "flips" that redirected revenue, leading to the name triple flip. The other two flips (1) directed school property tax money to cities and counties to compensate them for the redirected sales tax revenue and (2) reimbursed schools for their reduced property tax revenues.

Statewide Rates for Realigned Programs

Two state sales taxes for county-administered programs—the half-cent 1991 realignment rate and the approximately 1.1 cent 2011 realignment rate—were created as part of the 1991–92 and 2011–12 state budget agreements, respectively. In both cases, the state addressed budget deficits by shifting (or "realigning") some state program and/or fiscal responsibilities to counties. To mitigate the fiscal effect of these transfers on counties, the state (1) imposed a new half cent rate in 1991, earmarking its revenues for the realigned health and social services programs and (2) redirected part of the state's sales tax rate (about 1.1 cents) to counties in 2011, earmarking

the revenues to pay for the realigned criminal justice, mental health, and social services programs. In both cases, the state allocates the sales tax revenue based on formulas that are intended to reflect each county's programmatic responsibilities.

Other Rates for Local Programs

Local Public Safety and Bradley–Burns Transportation Rates. Two statewide rates for local programs—the half-cent Local Public Safety sales tax and the quarter-cent Bradley–Burns tax rate for county transportation programs—have similar revenue allocation rules. Unlike realignment revenue, the money raised by these rates does not go to counties based on programmatic factors. Instead, all of the revenue collected within a particular county goes back to that county. All revenue raised by the Bradley–Burns transportation tax supports county transportation programs. Most revenue from the Local Public Safety tax is used by counties for public safety programs, but a small share (about 5 percent) is allocated to cities for public safety purposes.

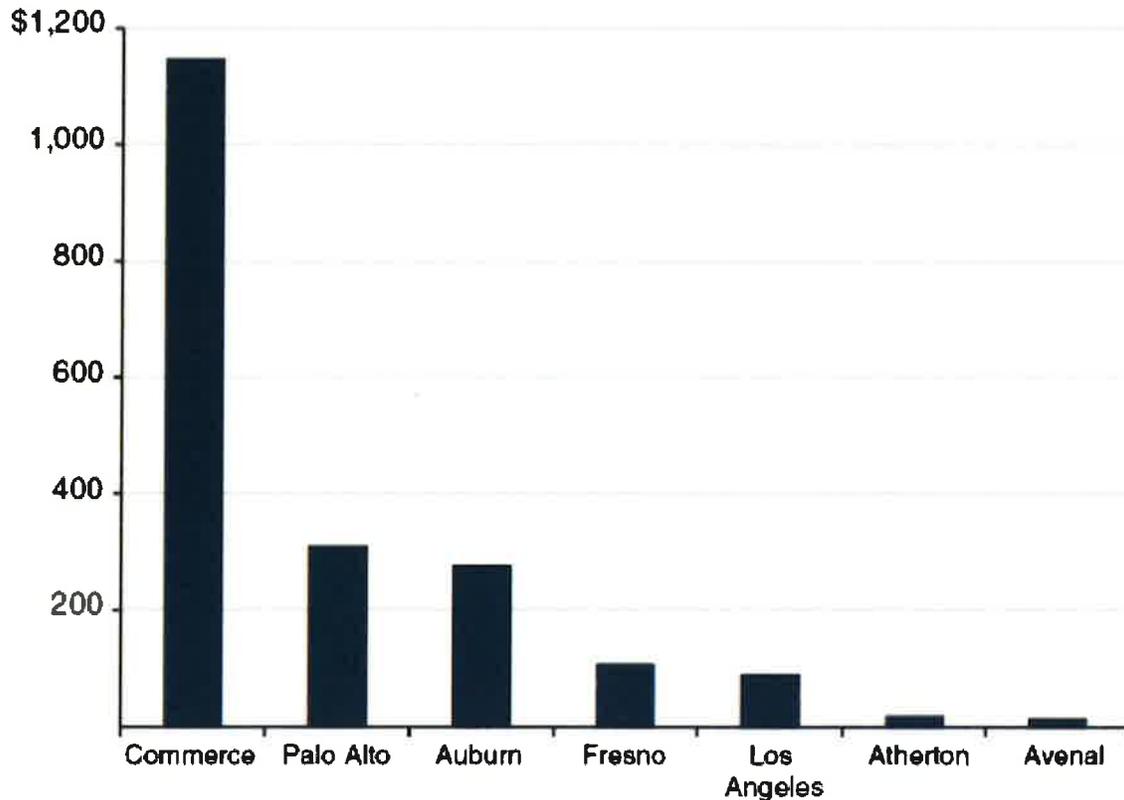
Bradley–Burns Rate for General Purposes. Revenue from the Bradley–Burns rate is available to local governments—primarily cities—for general purposes. The state allocates this revenue to the city or county that served as the “place of sale” in a transaction. In general, the place of sale is the retailer's sales location. Bradley–Burns tax revenues from sales occurring within a city's limits are allocated to that city; revenues from transactions occurring in a county's unincorporated area are allocated to the county. This approach to revenue allocation is known as a “situs-based” system. As discussed in the nearby box, this system gives cities and counties significant fiscal incentives to promote retail development within their jurisdictions.

Bradley–Burns Revenue Varies Across Cities. Although the Bradley–Burns rate is uniform throughout the state, it raises widely varying amounts of revenue across cities. Figure 11 highlights some examples of cities with different levels of Bradley–Burns revenue per resident in 2013–14. With \$110 per resident, Fresno's revenue is close to the average for a California city. Los Angeles raises \$90 per resident—a lower amount than most large California cities. Many Los Angeles residents shop in surrounding cities, such as Commerce. With an outlet mall and other retailers, Commerce raises \$1,150 per resident—more than ten times the amount raised by the average California city.

Figure 11

Bradley-Burns Revenue Per Resident Varies Across Cities

Revenue Per Resident, 2013-14



To some extent, variation in Bradley-Burns revenue reflects income differences across cities. For example, Palo Alto, whose residents' incomes are much higher than average, raises \$310 per person, while Avenal, whose residents' incomes are much lower than average, raises \$15 per person. However, other factors also contribute to this difference. Avenal is in a rural area with few potential shoppers nearby. Palo Alto is close to other cities, many of which also have high-income residents. For example, Atherton—one of the highest-income cities in California—contains few retailers, and its residents sometimes shop in nearby Palo Alto. As a result, Atherton's Bradley-Burns tax raises \$19 per person—less than one-fifth of the average city.

Some cities raise large amounts of Bradley-Burns revenue without having high incomes or being close to large numbers of shoppers. As described in the nearby box, this is partly due to actions taken by cities to compete for revenue. For example, Auburn raises \$280 per resident, much of it due to the presence of a business that sells fuel through a "cardlock system." This type of business can concentrate taxable sales at a single location—even when the physical exchange of goods occurs at many locations.

Cities Compete for Bradley-Burns Revenue. As described in our 2007 report, *Allocating Local Sales Taxes: Issues and Options*, distributing Bradley-Burns revenue based on the retailer's sales location gives local governments fiscal incentives to maximize retail sales within their boundaries. In some cases, cities and counties have responded to these incentives by seeking to influence the location of new retail development. For example, some cities and

counties have (1) used their land use powers to reserve large tracts of readily developable land for retail purposes and (2) established fiscal policies—such as partial sales tax rebates to retail businesses—to attract retail development.

In other cases, local governments have taken actions to shift the legally defined “place of sale” for retail transactions without changing the location of the economic activity. For example, some cities have competed to attract businesses that sell “cardlock systems.” A cardlock system allows businesses to make an advance purchase of large amounts of fuel. All Bradley–Burns revenue from this transaction goes to the city where the advance purchase occurs. The physical transfer of fuel associated with the purchase, however, occurs later in other cities and counties throughout the state.

Transactions and Use Taxes. As described earlier in this report, many cities and counties levy optional local sales taxes known as TUTs. Statewide, the average TUT rate is about 1 percent, but some areas have rates as high as 2.5 percent. For most transactions, TUT revenue is allocated to the place where the buyer takes possession of the purchased good. Vehicle purchases are the main exception. TUT revenue from vehicle sales goes to the local government where the vehicle is registered, regardless of where the buyer takes possession of it.

Ballot Measure Limits Legislature's Authority Over Local Revenue Allocation. In 2004, voters approved Proposition 1A, an amendment to California's constitution. This measure prohibits changes to the TUT and Bradley–Burns allocation systems. Consequently, any further changes would require voters to approve another amendment to the state's constitution.

Exceptions to Allocation Laws

Allocation of Bradley–Burns Use Tax. California allocates Bradley–Burns local use tax through countywide pools. These pools assign revenue to local jurisdictions based on each jurisdiction's share of total taxable sales. The state also uses this method to allocate Bradley–Burns revenue that cannot be identified with a permanent place of business. However, local use tax revenue from some transactions—generally very large purchases—does not enter these pools. Instead, it goes to the jurisdiction where the buyer first uses the purchased goods.

Allocation of Local Tax Revenue From Jet Fuel. For sales of jet fuel, the place of sale is the place where the jet fuel is delivered to the aircraft. (However, a recent ruling by the Federal Aviation Administration could lead to future changes in jet fuel taxation.)

Are Revenues Growing?

Sales and Use Tax Revenue Has Grown Faster Than Personal Income

California's state and local revenue from the sales tax—which totaled \$48 billion in 2013–14—has grown at an annual rate of 7.3 percent since 1970–71. Over the same period, total sales tax revenue has grown faster than personal income—a measure of the size of the state's economy. Personal income has grown 7 percent per year.

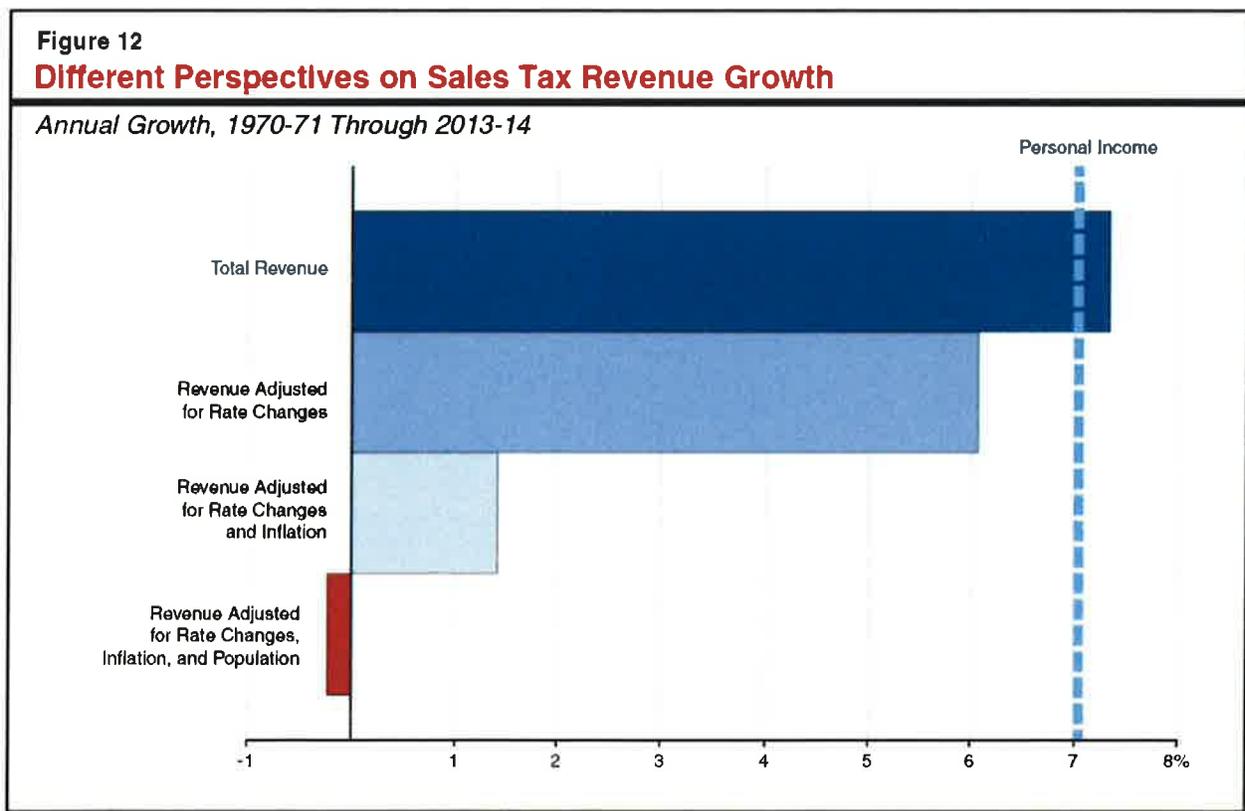
Sales tax revenue growth varies from year to year. In the last four decades, sales tax revenue grew fastest in 1974–75 (22 percent annual growth) and slowest in 2008–09 (a 10 percent annual decline). Revenue from other taxes also varies from year to year. However, these year-to-year fluctuations—often described as revenue “volatility”—are more pronounced for some taxes than for others. From the state government's perspective, the sales tax is a relatively stable tax because it is less volatile than the personal income tax, the state's main revenue source. From the perspective of local governments, the sales tax is a relatively volatile tax since it is more volatile than the main local tax, the property tax.

The Real Per Capita Tax Base Has Not Grown

Year-over-year growth in sales tax revenue does not necessarily reflect underlying growth in the tax base. For example, the economy was in a recession in 1974-75, but sales tax revenue grew very fast that year—largely due to high inflation and a one-cent rate increase.

To illustrate a more meaningful growth measure, Figure 12 shows sales tax revenue growth from 1970-71 to 2013-14, with adjustments for rate changes, inflation, and population growth.

- **Rate Change Adjustment.** The sales tax rate was 5 percent in 1970-71 and 8.4 percent in 2013-14. Adjusting sales tax revenues for each year's rate allows us to focus on growth in the tax base—taxable sales—rather than growth in revenue. As shown in Figure 12, rate-adjusted revenue has grown 6.1 percent per year since 1970-71.
- **Inflation Adjustment.** Prices tend to rise over time—including the prices of state and local government purchases. As a result, one dollar of state or local spending represents fewer real resources in 2014 than it did in 1970. Adjusted for rate changes and inflation, sales tax revenue has grown about 1.4 percent per year since 1970-71.
- **Population Adjustment.** As the number of Californians increases, so does the size of the state's economy, which leads to higher revenue from sales tax and other taxes. However, the state's main expenditures—education and health care—provide services to individuals. Consequently, population growth also increases the demand for state services. For these reasons, it is useful to consider not just total revenue, but also revenue per person. Adjusting for rate changes, inflation, and population, sales tax revenue has remained roughly constant over the long run, declining 0.2 percent per year since 1970-71.



Consumers Are Spending a Declining Share of Income on Taxable Goods

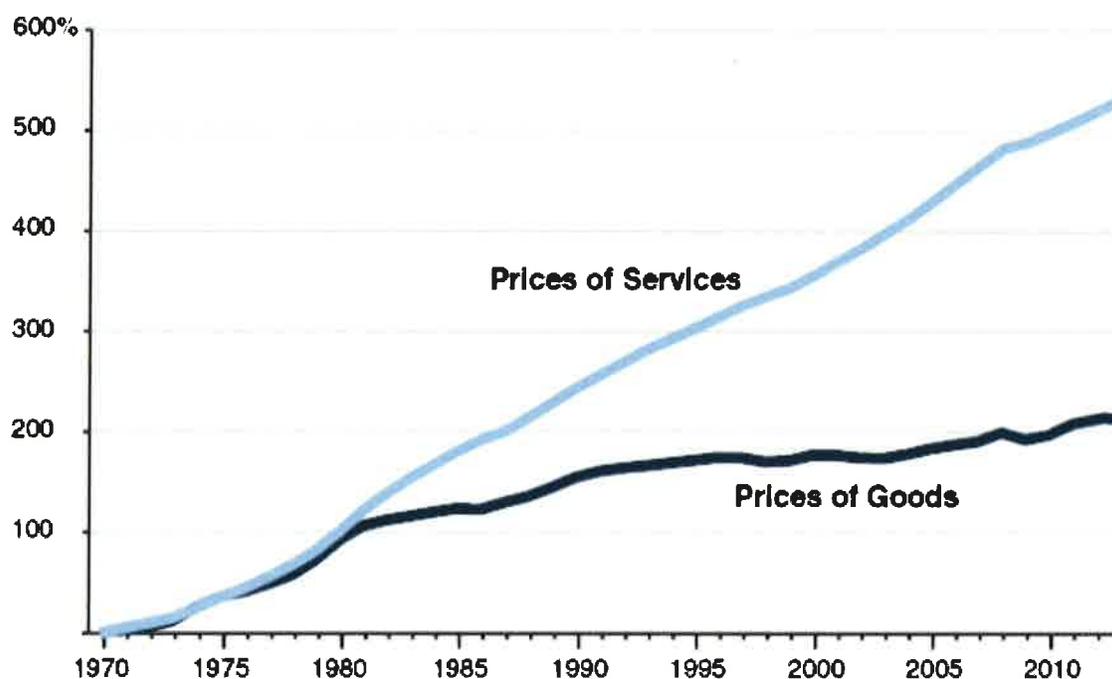
As described in our 2013 report, *Why Have Sales Taxes Grown Slower Than the Economy?*, the share of Californians' personal income that they spend on taxable items peaked in 1979. In that year, consumers spent about half their income on taxable items. Since then, the state's sales tax base has grown slower than the state's economy. As a result, consumers now spend about one-third of their income on taxable goods.

This shift in consumer spending has occurred primarily because prices for services (which generally are not subject to the sales tax) have grown four times as much as prices for goods (which generally are subject to the sales tax), as shown in Figure 13. Prices of goods have grown slowly for several reasons, including growth in manufacturing productivity and imports of low-cost goods. Unlike production of most goods, production of services tends to be labor-intensive and customized, making it harder to cut costs. This factor—along with many other developments, like growing demand for healthcare services for an aging population—has led to relatively rapid growth in prices of services.

Figure 13

Prices of Goods Have Grown Slower Than Prices of Services

Total Percentage Change Since 1970



Use Tax Compliance Is Uneven

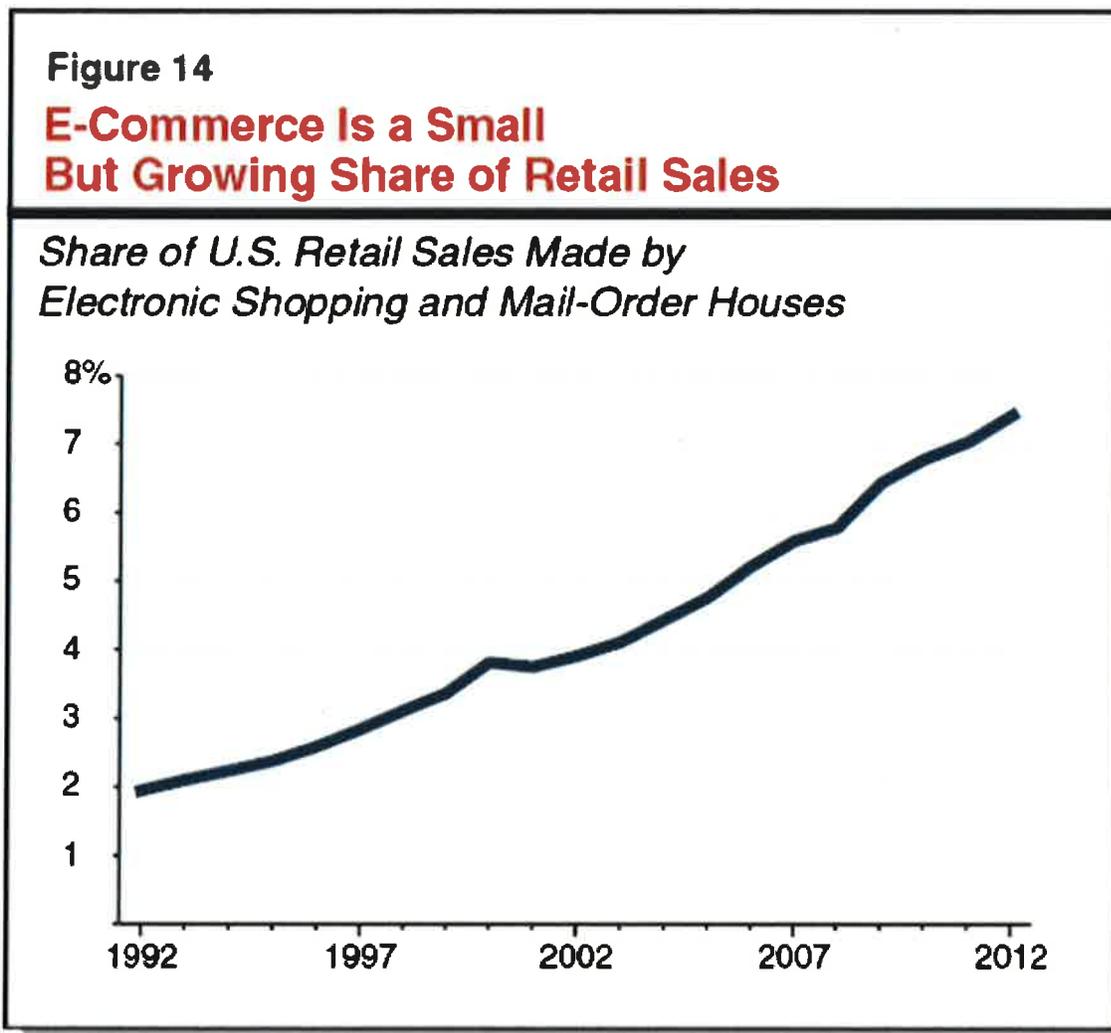
Two Main Challenges: Awareness and Enforcement. Many Californians are not familiar with the use tax, so they do not attempt to comply with it. Additionally, the use tax is difficult to

enforce since the obligation to pay generally falls on buyers—including households, businesses, and others.

Uncollected Use Tax Could Be Substantial. Due to data limitations, it is difficult to estimate the “tax gap”—the difference between taxes owed and taxes paid. Recent estimates indicate that California’s use tax gap could be \$1 billion or more.

Despite Challenges, Use Tax Revenue Is Growing. State and local use tax revenue totaled \$4.6 billion in 2013–14, up from \$4.4 billion in 2012–13 and \$3.9 billion in 2011–12. Use tax revenue grew faster than sales tax revenue over this period.

E-Commerce Has Grown Faster Than Other Retail Sales. Although the challenges of use tax awareness and enforcement are not new, they have become more relevant as the Internet has made out-of-state purchases more convenient. As shown in Figure 14, retailers that specialize in selling goods over the Internet or by mail are a small but growing share of retail sales. Nationwide, this category grew from 2 percent of nationwide retail sales in 1992 to over 7 percent in 2012.



Federal Law Limits State’s Power to Collect Use Tax. The most direct strategy for collecting the use tax is to collect the money from the seller rather than the buyer. However, federal law—particularly the U.S. Constitution’s commerce clause—limits states’ ability to collect use tax from out-of-state retailers. If an out-of-state retailer does not have a “physical presence”—employees, offices, warehouses, or the like—within a state, that state cannot require the business to collect use tax. This physical presence test is based on a series of legal

decisions—particularly the U.S. Supreme Court ruling in *Quill Corp. v. North Dakota (1992)*. In *Quill*, the court ruled that North Dakota could not levy a tax on Quill Corporation because the business had no physical presence in the state.

Based on the *Quill* decision, Congress may pass a law allowing states to require out-of-state retailers to collect use tax. The U.S. Senate passed such a bill in 2013 (S. 743). Around the same time, the House of Representatives referred a similar bill (H.R. 684) to two committees but has not acted on it since.

State Employs Multiple Strategies to Collect Use Tax. California's efforts to collect use tax include:

- **Registering Out-Of-State Retailers.** State law requires all retailers "engaged in business" in California—those with a physical presence in the state—to register with BOE to collect use tax. Revenues from these businesses account for half of all use tax collected. Because many relationships among businesses are complex, it is sometimes unclear whether a particular business is physically present. Chapter 313, Statutes of 2011 (AB 155, Calderon and Skinner), specifies that the requirement to collect use tax extends to: (1) out-of-state retailers in the same "commonly controlled group," or corporate family, as in-state businesses; and (2) out-of-state retailers who work with in-state "affiliates"—people who refer potential customers to those retailers.
- **Registering Buyers.** The state has several programs through which in-state buyers—primarily businesses—register with BOE to pay use tax on their purchases. For example, the "qualified purchasers" program requires some service businesses (like law or accounting firms) to report the use tax owed on goods they purchase from out of state.
- **Other Interactions With Taxpayers.** California drivers who buy vehicles from private parties or from out-of-state dealers pay use tax when they register those vehicles with the Department of Motor Vehicles. In addition, the Franchise Tax Board allows taxpayers to report and pay use tax on their state income tax returns.

Acknowledgments: This report was prepared by [Seth Kerstein](#) and reviewed by [Marianne O'Malley](#). The Legislative Analyst's Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.

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**OROVILLE CITY COUNCIL
STAFF REPORT**

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: RUTH WRIGHT, FINANCE DIRECTOR

RE: 3rd QUARTER BUDGET REVIEW - JULY 1, 2015 THROUGH MARCH 31, 2016

DATE: APRIL 19, 2016

SUMMARY

The Council may consider the 3rd Quarter Budget review and adjustments relating to July 1, 2015 through March 31, 2016.

DISCUSSION

The Budget review for the 3rd quarter of the 2015-2016 year have been completed and are ready for review.

FISCAL IMPACT

No impact to the General Fund as increases equal decreases to the budget.

RECOMMENDATION

Approve the 3rd Quarter Budget review and adjustments for July 1, 2015 through March 31, 2016.

ATTACHMENTS

Budget Adjustment Recommendations

**BUDGET ADJUSTMENT
RECOMMENDATIONS WILL BE
DELIVERED UNDER SEPARATE
COVER**

**OROVILLE CITY COUNCIL
STAFF REPORT**

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: SCOTT E. HUBER, CITY ATTORNEY

**RE: RESOLUTION IN OPPOSITION TO THE WATER RATE INCREASE
REQUESTED BY CALIFORNIA WATER SERVICE COMPANY FOR
CUSTOMERS IN OROVILLE**

DATE: APRIL 19, 2016

SUMMARY

The Council may consider a resolution of the in opposition to the water rate increase requested by California Water Service Company ("Cal Water") for customers in Oroville.

DISCUSSION

On April 5, 2016, the Council received a presentation by Jack Kiley related to the rate increase proposed by Cal Water and the potential for acquisition of a water company. Justin Skarb from Cal Water also made comments during the presentation.

The City's residents receive water from three water purveyors: (1) Thermalito Water and Sewer District ("TWSD"); (2) South Feather Water and Power Agency ("South Feather"); and (3) Cal Water. Oroville residents whose homes are served by TWSD or South Feather pay between one-half to one-third the charges of a similarly situated Cal Water customer for similar water usage. Cal Water's rates for its Chico customers are approximately half of that charged to its Oroville customers

Cal Water's rates have increased by almost 100% in the last 8 years, well above the Consumer Price Index. The system is aging and many residents feel that the overall maintenance of the system is below the standard that the residents expect.

Staff was requested to place the attached Resolution on the agenda for consideration by the Council.

FISCAL IMPACT

None.

RECOMMENDATION

Adopt Resolution No. 8490 – A RESOLUTION OF THE OROVILLE CITY COUNCIL IN OPPOSITION TO THE WATER RATE INCREASE REQUESTED BY CALIFORNIA WATER SERVICE COMPANY FOR CUSTOMERS IN OROVILLE.

ATTACHMENTS

Resolution No. 8490

**OROVILLE CITY COUNCIL
RESOLUTION NO. 8490**

**A RESOLUTION OF THE OROVILLE CITY COUNCIL IN OPPOSITION TO THE
WATER RATE INCREASE REQUESTED BY CALIFORNIA WATER SERVICE
COMPANY FOR CUSTOMERS IN OROVILLE**

1. **WHEREAS**, Oroville is a charter city with more than 18,000 residents. The City's residents receive water from three water purveyors: (1) Thermalito Water and Sewer District ("TWSD"); (2) South Feather Water and Power Agency ("South Feather"); and (3) California Water Service Company ("Cal Water"); and
2. **WHEREAS**, the citizens of Oroville are struggling financially, and the region continues to experience stagnant economic growth. The local unemployment rate is approximately 8.6%, while the unemployment in the United States is currently 6.3%. In Oroville, home values have decreased in the last five years by 12%, and the current income per capita is \$18,844 in Oroville. In fact, approximately 41% of Oroville residents live beneath the US poverty level; and
3. **WHEREAS**, Oroville residents whose homes are served by TWSD or South Feather pay between one-half to one-third the charges of a similarly situated Cal Water customer for similar water usage; and
4. **WHEREAS**, Oroville residents who receive water from Cal Water need immediate relief from the current water rates charged by the utility. In short, Oroville residents who receive water from Cal Water simply cannot afford higher water rates; and
5. **WHEREAS**, Cal Water's rates have increased by almost 100% in the last 8 years, notwithstanding the fact that Cal Water's costs of water, personnel, and other expenses have not increased by the same percentage; and
6. **WHEREAS**, Cal Water claims general administrative costs of approximately \$738,000 to service Oroville's 3,600 Cal Water customers; and
7. **WHEREAS**, Cal Water's rate increases for the last decade have increased well above the Consumer Price Index; and
8. **WHEREAS**, Cal Water's rates for its Chico customers are approximately half of that charged to its Oroville customers; and
9. **WHEREAS**, water is a precious and necessary resource to sustain life.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Oroville City Council as follows:

1. The City Council formally opposes the rate increase requested by Cal Water for the Oroville Region because it has received rate increases well above the rate of inflation for the last decade; and
2. The City Council requests that the California Public Utilities Commission grant no further rate increases to the Cal Water rates for the Oroville Region for the foreseeable future, until the rates are brought in line with other water purveyors in the Butte County region; and
3. The City Council directs staff to explore alternatives to provide water to the City's residents who currently receive water service from Cal Water.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting held on April 19, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

ATTEST:

Scott E. Huber, City Attorney

Donald Rust, Acting City Clerk

MEMORANDUM

TO: MAYOR DAHLMEIER & COUNCIL MEMBERS

FROM: BOB MARCINIAK, PROGRAM SPECIALIST

RE: CITY COUNCIL ACTIVITY REPORT – VARIOUS COMMITTEES

DATE: APRIL 19, 2016

The following provides a succinct summary of various committee meetings that I attended on behalf of the City during the month of March 2016:

- **Tourism Committee**

- Established in 2008 as part of the City funded Tourism Study
- Meets on the 2nd Tuesday of each month
- Volunteer committee with 12 representatives from the community
 - March 8th meeting
 - Tour of the Oroville Inn conducted by Bud Tracy there were 12 committee members in attendance
 - Updated information on the Wildflower Festival
 - Updated information on programs & events at the Lake Oroville Visitors Center
 - Updated information regarding improvements in the Historic Downtown District

- **Wild Flower & Nature Festival (Event: Saturday, April 2, 2016)**

- This is a Feather River Recreation & Park District event that has been held the last few years at Riverbend Park. The City & the SBF has had a booth related to parks & trails planning, the proposed aquatic center and the city museums, walking and Greenline tours.
- Planning Meeting March 23rd
 - Vendors lined up (78+)
 - Bands confirmed (3)
 - Kayaking in the Feather River coordinated by the Oroville Aquatic Center
 - Request for MLE's and/or VIP's to assist with security

- **Feather Fiesta Days Committee (Event: Saturday, May 7, 2016)**
 - Meets on the 2nd Wednesday of each month (December to May)
 - All meetings and events are under the direction of Upstate Community Enhancement Foundation, Event Coordinator (funded by the SBF)
 - March 9th meeting
 - City of Oroville will provide infrastructure/support for getting the City “polished” for this major event that draws in excess of 15,000 people each year
 - ODBA on target for booths in parking lot A and throughout the Historic Downtown
 - Gold Rush Car Show plans to have 900+ vehicles on display
 - Exchange Club will host the Grand Parade starting at 10:00 A.M.
 - Kiwanis Club will host the Kiddie Parade on Friday
 - Chinese Temple & Museum Complex will host a tea on Wednesday, May 4th

- **Salmon Festival Committee (Event: Saturday, September 24th)**
 - Committee planning with Event Coordinator on March 15/14th
 - Meets on the 3rd Tuesday of each month (March to September)
 - All meetings and events are under the Upstate Community Enhancement Foundation, Event Coordinator (funded by the SBF)

Supplemental Benefits Fund
Informational Summary of Funds
Bob Marciniak, SBF Program Specialist 538-2518

January 1, 2016 to March 31, 2016



March Report to Oroville City Council/SBF Fund Administrator

Agreement #	SBF Open Grants/Commitments	For:	Agreement \$	Expires
3154	Upstate Community Enhancement Foundation	2016 Major Events Coordinator	30,000.00	1/31/2017
3153	Veterans' Memorial Park	Improvements	112,000.00	10/20/2016
3076	FRRPD	Nelson Complex Well	30,000.00	3/3/2016
3109	FRRPD	Brad Freeman Trail/Environmental	20,000.00	3/14/2016
3110	Forebay Aquatic Center	Operating Expenses	54,000.00	3/14/2016
3145	ESA	Feather River Consolidated MP	68,950.00	9/15/2016
3060	Melton Design Group	Prelim Design Oroville Aquatic Center	20,000.00	open
Commitment	SBF/Administrative	Maps, Brochures	10,000.00	open
Commitment	SBF/Administrative Budget	July 1, 2014 to June 30, 2016	90,240.00	6/30/2016

Date	Payee	Agreement #/or comments	Budget or Agreement	B A	Invoice	Available
1/11/2016	Great Ad-Venture Publishing, Inc.	part of map/brochure project	10,000.00	B	-536.25	7,878.35
1/11/2016	ESA	3145 FRC Master Plan	68,950.00	A	-8,697.96	60,252.04
1/11/2016	Forebay Aquatic Center	3110/Operating Expenses	54,000.00	A	-5,500.00	5,972.78
1/20/2016	City of Oroville	Administrative Exp/Oct.Nov.Dec.	90,240.00	B	-13,506.12	17,297.07
2/19/2016	Cota Cole LP	Legal Expenses (in Admin Budget)	17,297.07	B	-916.90	16,380.17
2/19/2016	Comers Printing	7500 Oroville Tourism Maps	7,878.35	B	-7,290.77	587.58
2/26/2016	ESA	3145 FRC Master Plan	60,252.04	A	-1,383.75	58,868.29
2/26/2016	Feather River Recreation & Park District	Riverbend Playground Grant	50,000.00	A	-50,000.00	0.00
3/18/2016	Forebay Aquatic Center	3110/Operating Expenses	5,972.78	A	-5,447.25	525.53
3/31/2016	City of Oroville	Administrative Exp/Jan.Feb.March	16,380.17	B	-13,379.40	3,000.77

SBF Fund 9920 Reconciliation

Funds at DWR	0.00	0.00
Funds at City		333,668.07
Committed SBF Funds		-273,145.44
Not-committed SBF Funds		60,522.63



OROVILLE CITY ELEMENTARY SCHOOL DISTRICT

2795 YARD STREET, OROVILLE, CA 95966-5113

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ANDREA DUNN
*Associate Superintendent
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*Asst. Superintendent, Business
Extension 3005
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DEBBIE BLAKE
*Director of Special Education
(530) 532-3007, Ext. 214
(530) 532-3047 FAX*

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Vice President

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Clerk

AMBER DURBIN
Member

BILL LAGRONE, JR.
Member

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March 31, 2016

Re: Developer Fees

City of Oroville
APR 04 2016
Administration

Dear Oroville City Council,

A public hearing was held by the Governing Board of the Oroville City Elementary School District at its regular meeting on March 30, 2016, in which the Board approved a resolution implementing school facilities fees in accordance with Education Code Section 17620 beginning June 1, 2016. I have attached the resolution, developer fee study and district boundary map.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

Andrew B. James, MBA
Assistant Superintendent, Business

RESOLUTION NO. 15-16-05

**RESOLUTION OF THE BOARD OF TRUSTEES
OF THE OROVILLE CITY ELEMENTARY SCHOOL DISTRICT
TO INCREASE LEVEL 1 RESIDENTIAL & COMMERCIAL/INDUSTRIAL
DEVELOPER FEES FOR SCHOOL FACILITIES**

WHEREAS, Education Code section 17620 *et seq.* and Government Code section 65995 *et seq.* authorize the governing board of any school district within the state of California (“State”) to levy a fee against new residential, commercial and industrial development projects within the school district for the purpose of funding the construction and reconstruction of school facilities;

WHEREAS, the Oroville City Elementary School District (“District”) has previously adopted and imposed statutory school fees for new residential, commercial and industrial development pursuant to Education Code section 17620;

WHEREAS, pursuant to Government Code section 65995(b)(3), the State Allocation Board, at its January 27, 2016, meeting increased the maximum amount of statutory fees that may be imposed by unified school districts and amended those fees at its February 24, 2016 meeting, to \$3.48 per square foot of assessable space for residential developments and \$0.56 per square foot for commercial and industrial developments (“School Fees”);

WHEREAS, the District has an agreement with the Oroville Union High School District (“Fee Sharing Agreement”) through which the District is entitled to collect 58.2% of its justified fee amount, which adjusted amount is equal to Two Dollars and Three Cents (\$2.03) per square foot of assessable space for residential development and Thirty-Three Cents (\$0.33) per square foot for commercial and industrial developments;

WHEREAS, the Board reviewed and considered the findings in the March 1, 2016, Level I Developer Fee Study prepared by Jack Schreder & Associates, Inc., attached hereto as Attachment “1” (the “Study”), which analyzes the District’s current school facilities, the estimated number of students which will be generated by new residential, commercial and industrial development within the District, and the estimated costs which will be required for the reconstruction of school facilities to accommodate the students generated by such new development;

WHEREAS, the Study justifies the District’s imposition of School Fees on residential construction as set forth in this Resolution by analyzing student generation data for residential development projects and by demonstrating that reconstruction of school facilities in the District is necessary to accommodate increased enrollment resulting from such development;

WHEREAS, the Study further justifies the District’s imposition of School Fees on new commercial and industrial construction as set forth in this Resolution by analyzing specific categories of commercial and industrial development which were determined to impact the district’s school facilities based upon the square footage of the construction, the anticipated number of employees and the number of new students generated by such employees;

WHEREAS, the findings in the Study demonstrate that the estimated costs of providing school facilities for students generated by new development will exceed the maximum amount of revenue which will be collected from school fees levied pursuant to Education Code section 17620 *et seq.* and Government Code section 65995 *et seq.*;

WHEREAS, based on the findings in the Study, this Board deems it to be necessary, justified, and in the best interest of the students, teachers, parents and electorate of the District to increase the School Fees amount authorized by Education Code section 17620 *et seq.* and Government Code section 65995 *et seq.* to Two Dollars and Three Cents (\$2.03) per square foot of new residential development and to Thirty-Three Cents (\$0.33) per square foot of new commercial/industrial development (said amounts adjusted to the maximum amount that may be collected under the Fee Sharing Agreement);

WHEREAS, the mini storage category of commercial/industrial justification has less impact than the statutory \$0.56 per square foot commercial/industrial justification and should be collected at the justified rate of Six Cents (\$.06) per square foot.

WHEREAS, the increased School Fees levied against new residential, commercial and industrial development will be used for reconstruction of school facilities as identified in the Study;

WHEREAS, no city or county may issue a building permit for any new residential, commercial or industrial development within the District absent a certification by the District of compliance by the owner/developer with the requirements regarding school facilities fees as set forth in Education Code section 17620 *et seq.* and Government Code section 65995 *et seq.*;

WHEREAS, the District has: (1) made available to the public ten (10) days prior to its public meeting the Study and data indicating the estimated cost required to provide the facilities for which the increased School Fees are levied and the revenue sources anticipated to provide the facilities as demonstrated in the Study; (2) has mailed notice at least fourteen (14) days prior to this meeting to all interested parties who have requested in writing notice of the meeting on new or increased fees; and (3) has held a duly noticed, regularly scheduled public meeting on March 30, 2016 at which oral and written testimony was received regarding the Study and the proposed increase in School Fees; and

WHEREAS, the appropriate land use jurisdictions will be notified of the increased School Fees levied by the District and will be requested to continue to work with the District to assure that the school facilities fee program benefits the residents and students of the community.

NOW THEREFORE, the Board of Trustees of the Oroville City School District (“Board”) hereby resolves, determines, and finds the following:

Section 1. That the foregoing recitals are true.

Section 2. That the Board hereby increases the statutory School Fees levied against all new residential development and additions resulting in an increase of assessable space in excess of five hundred (500) square feet pursuant to Education Code section 17620 *et seq.* and

Government Code section 65995(b)(1) to an amount of Two Dollars and Three Cents (\$2.03) per square foot.

Section 3. That the Board hereby increases the statutory School Fees levied against all new commercial and industrial development pursuant to Education Code section 17620 *et seq.* and Government Code section 65995(b)(2) to Thirty-Three Cents (\$0.33) per square foot. The mini-storage category of commercial/industrial justification has less impact than the statutory \$.56 per square foot commercial/industrial justification and shall be collected at the justified rate of Six Cents (\$0.06) per square foot.

Section 4. That the Board has reviewed the Study as it relates to proposed and potential development, the resulting school facilities needs, the cost thereof, and the available sources of revenue, including the fees provided by this Resolution, and based upon the Study, information and testimony presented in conjunction with these proceedings, hereby makes the following findings:

Section 4.1. Additional development projects within the District, whether new residential construction or residential reconstruction involving increases in assessable area greater than 500 square feet, or new commercial or industrial construction will increase the need for reconstruction of school facilities;

Section 4.2. Without reconstruction of present school facilities, any further residential development projects or commercial or industrial development projects within the District will result in a significant decrease in the quality of education presently offered by the District;

Section 4.3. The School Fees proposed in the Study and the School Fees implemented pursuant to this Resolution are for the purposes of providing adequate school facilities to maintain the quality of education offered by the District;

Section 4.4. The School Fees proposed in the Study and implemented pursuant to this Resolution will be used for the reconstruction of school facilities as identified in the Study;

Section 4.5. The uses of the School Fees proposed in the Study and implemented pursuant to this Resolution are reasonably related to the types of development projects on which the fees are imposed;

Section 4.6. The School Fees proposed in the Study and implemented pursuant to this Resolution bear a reasonable relationship to the need for reconstructed school facilities created by the types of development projects on which the fees are imposed;

Section 4.7. The School Fees proposed in the Study and implemented pursuant to this Resolution do not exceed the estimated amount required to provide funding for the reconstruction of school facilities for which the fees are levied; and in making this finding, the Board declares that it has considered the availability of revenue sources anticipated to provide such facilities, including general fund revenues;

Section 4.8. The School Fees imposed on commercial or industrial development bear a reasonable relationship and are limited to the needs of the community for schools and are reasonably related and limited to the need for reconstructed school facilities caused by the development; and

Section 4.9. The School Fees will be collected for school facilities for which an account has been established and funds appropriated and for which the district has adopted a reconstruction schedule and/or to reimburse the District for expenditures previously made.

Section 5. That the Board directs staff to ensure that the School Fees collected by the District are deposited in a separate account and that said account shall be separately maintained, except for temporary investments, from other funds of the District.

Section 6. The Board finds that the funds of the account, described above in Section 5, consisting of the proceeds of School Fees, have been imposed for the purposes of construction and reconstruction of those school facilities necessitated by new residential and commercial/industrial development, and that these funds may be expended for those purposes. The School Fees may also be expended by the District for the costs of performing any study or otherwise making the findings and determinations required under Government Code section 66001, subdivisions (a), (b), and (d). In addition, the District may also retain, as appropriate, an amount not to exceed in any fiscal year, three percent (3%) of the School Fees collected in that fiscal year pursuant to Education Code section 17620(a)(5) for reimbursement of the administrative costs incurred by the District in collecting the School Fees.

Section 7. That in accordance with Education Code section 17621(e)(2), per Administrative Regulation 7211 the Board has established a process for a party against whom School Fees are imposed to appeal the imposition of the School Fees.

Section 8. That no statement or provision set forth in this Resolution, or referred to herein, shall be construed to repeal any pre-existing School Fee previously imposed by the District on any residential or nonresidential development.

Section 9. That the Board finds and determines that the adoption or imposition of the increased School Fees in accordance with Government Code section 65995 is statutorily exempt from CEQA pursuant to Education Code section 17621(a).

Section 10. That District staff is hereby instructed to work with the appropriate land use jurisdictions to ensure compliance with Education Code section 17620(c), which provides that no city or county may issue a building permit for any development project within the District without certification by the District of compliance by that development project with the school facilities fee requirements of this Resolution. The Board determines that the School Fees are not subject to Government Code section 66007 and that a certificate of compliance is required prior to the issuance of any building permit.

Section 11. That in accordance with Education Code section 17621(c), District staff is hereby instructed to transmit certified copies of this Resolution, accompanied by all relevant supporting documentation including the Study and a map of the boundary area of the District subject to the

School Fees, to all appropriate land use jurisdictions issuing building permits within the District, informing each of them of the District's current school facilities fee for development projects, which jurisdictions shall include the Planning Commission and Board of Supervisors of Butte County and the Planning Commission and City Council of the City of Oroville.

Section 12. That pursuant to Education Code section 17621(a), the increased School Fees designated herein shall take effect sixty (60) days after the date of this Resolution.

APPROVED, PASSED and ADOPTED by the Governing Board of the Oroville City Elementary School District this 30th day of March, 2016, by the following vote:

AYES: *Carol Sutherland, Amber Durbin, Eric Smith, Sandra Barnes, Bill LaGrone*

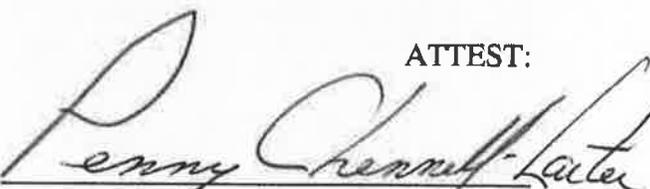
NOES: *None*

ABSENT: *None*

ABSTAIN: *None*



President, Governing Board
Oroville City Elementary School District

ATTEST:


Secretary, Governing Board
Oroville City Elementary School District

Level I Developer Fee Study
for
Oroville City Elementary
School District

March 1, 2016

Penny Chennell-Carter, Ed.D., Superintendent

Board of Trustees

Carol Sutherland, President
Amber Durbin, Vice President
Eric J. Smith, Clerk
Sandra Barnes, Member
Bill LaGrone, Member

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EXECUTIVE SUMMARY

- Education Code Section 17620 authorizes school districts to levy a fee, charge, dedication or other form of requirement against any development project for the construction or modernization of school facilities provided the District can show justification for levying of fees.
- In February 2016, the State Allocation Board's biennial inflation adjustment changed the fee to \$3.48 per square foot for residential construction and \$0.56 per square foot for commercial/industrial construction.
- The Oroville City Elementary School District shares developer fees with the Oroville Union High School District. The developer fee sharing arrangement between the two school districts is currently 58.2 percent for the elementary school district and 38.8 percent to the high school district.
- The Oroville City Elementary School District is justified in collecting \$2.03 (58.2 percent of \$3.48) per square foot for residential construction and \$0.33 (58.2 percent of \$0.56) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category of construction should be collected at a rate of \$0.06 per square foot.
- In general, it is fiscally more prudent to extend the useful life of an existing facility than to construct new facilities when possible. The cost to modernize facilities is approximately 41.1 percent of the cost to construct new facilities.
- The residential justification is based on the Oroville City Elementary School District's projected modernization need of \$33,473,484 for students generated from residential development over the next 20 years and the projected residential square footage of 9,090,224.
- Based on the modernization need for students generated from projected residential development and the projected residential square footage, each square foot of residential construction will create a school facilities cost of at least \$3.68 ($\$33,473,484 / 9,090,224$).

- The commercial/industrial justification is based on the Oroville City Elementary School District's projected modernization need of \$1,743,642 for students generated from commercial/industrial development over the next 20 years and the projected commercial/industrial square footage of 454,511.
- Based on the modernization need for students generated from projected commercial/industrial development and the projected commercial/industrial square footage, each square foot of commercial/industrial construction will create a school facilities cost of at least \$3.84 ($\$1,743,642/454,511$) with the exception of mini storage. The mini storage category of construction will create a school facilities cost of \$0.06 per square foot.

INTRODUCTION

In September, 1986, the Governor signed into law Assembly Bill 2926 (Chapter 887/Statutes 1986) which granted school district governing boards the authority to impose developer fees. This authority is codified in Education Code Section 17620 which states in part "...the governing board of any school district is authorized to levy a fee, charge, dedication or other form of requirement against any development project for the construction or modernization of school facilities."

The Level I fee that can be levied is adjusted every two years according to the inflation rate, as listed by the state-wide index for Class B construction set by the State Allocation Board. In January of 1992, the State Allocation Board increased the Level 1 fee to \$1.65 per square foot for residential construction and \$.27 per square foot for commercial and industrial construction.

Senate Bill 1287 (Chapter 1354/Statutes of 1992) effective January 1, 1993, affected the facility mitigation requirements a school district could impose on developers. Senate Bill 1287 allowed school districts to levy an additional \$1.00 per square foot of residential construction (Government Code Section 65995.3). The authority to levy the additional \$1.00 was rescinded by the failure of Proposition 170 on the November 1993 ballot.

In January 1994, the State Allocation Board's biennial inflation adjustment changed the fee to \$1.72 per square foot for residential construction and \$.28 per square foot for commercial/industrial construction.

In January 1996, the State Allocation Board's biennial inflation adjustment changed the fee to \$1.84 per square foot for residential construction and \$.30 per square foot for commercial/industrial construction.

In January 1998, the State Allocation Board's biennial inflation adjustment changed the fee to \$1.93 per square foot for residential construction and \$.31 per square foot for commercial/industrial construction.

In January 2000, the State Allocation Board's biennial inflation adjustment changed the fee to \$2.05 per square foot for residential construction and \$0.33 per square foot for commercial/industrial construction.

In January 2002, the State Allocation Board's biennial inflation adjustment changed the fee to \$2.14 per square foot for residential construction and \$0.34 per square foot for commercial/industrial construction.

In January 2004, the State Allocation Board's biennial inflation adjustment changed the fee to \$2.24 per square foot for residential construction and \$0.36 per square foot for commercial/industrial construction.

In January 2006, the State Allocation Board's biennial inflation adjustment changed the fee to \$2.63 per square foot for residential construction and \$0.42 per square foot for commercial/industrial construction.

In January 2008, the State Allocation Board's biennial inflation adjustment changed the fee to \$2.97 per square foot for residential construction and \$0.47 per square foot for commercial/industrial construction.

In January 2010, the State Allocation Board's biennial inflation adjustment maintained the fee at \$2.97 per square foot for residential construction and \$0.47 per square foot for commercial/industrial construction.

In January 2012, the State Allocation Board's biennial inflation adjustment changed the fee to \$3.20 per square foot for residential construction and \$0.51 per square foot for commercial/industrial construction.

In January 2014, the State Allocation Board's biennial inflation adjustment changed the fee to \$3.36 per square foot for residential construction and \$0.54 per square foot for commercial/industrial construction.

In February 2016, the State Allocation Board's biennial inflation adjustment changed the fee to \$3.48 per square foot for residential construction and \$0.56 per square foot for commercial/industrial construction.

The next adjustment to the fee will occur at the January 2018 State Allocation Board meeting.

In order to levy a fee, a district must make a finding that the fee to be paid bears a reasonable relationship and be limited to the needs of the community for elementary or high school facilities and be reasonably related to the need for schools caused by the development. Fees are different from taxes and do not require a vote of the electorate. Fees may be used only for specific purposes and there must be a reasonable relationship between the levying of fees and the impact created by development.

In accordance with the recent decision in the *Cresta Bella LP v. Poway Unified School District* (2013 WL 3942961) court Case, school districts are now required to demonstrate that reconstruction projects will generate an increase in the student population thereby creating an impact on the school district's facilities. School districts must establish a reasonable relationship between an increase in student facilities needs and the reconstruction project in order to levy developer fees.

Purpose of Study

This study will demonstrate the relationship between residential, commercial and industrial growth and the need for the modernization of school facilities in the Oroville City Elementary School District.

SECTION I: DEVELOPER FEE JUSTIFICATION

Developer fee law requires that before fees can be levied a district must find that justification exists for the fee. Government Code Section 66001 (g) states that a fee shall not include the costs attributable to existing deficiencies in public facilities, but may include the costs attributable to the increased demand for public facilities reasonably related to the development project in order to refurbish existing facilities to maintain the existing level of service or achieve an adopted level of service that is consistent with a general plan. This section of the study will show that justification does exist for levying developer fees in the Oroville City Elementary School District.

Modernization and Reconstruction

Extending the useful life of a school is a cost effective and prudent way to house students generated from future development. The state of California recognizes the need to extend the life of existing schools and provides modernization funding through the State School Facility Program. For the purpose of this report, modernization and reconstruction are used interchangeably since many of the improvements are common to both programs, i.e. roofing, plumbing, heating, cooling, dry rot repair, infrastructure improvement, etc. Developer fees may not be used for regular maintenance, routine repair of school buildings and facilities or deferred maintenance. The authorization to justify modernization and modernization of school facilities and extend the useful life of existing schools is contained in Education Code Section 17620 and Government Code Section 66001 (g).

Modernization Need

As new students are generated by new development, the need to increase the useful life of school facilities will be necessary. In order to calculate the District's estimated modernization need generated by students from new development, it is necessary to determine the following factors: the number of units included in proposed developments, the District student yield factor, and the per pupil cost to modernize facilities.

Proposed Development

According to the City of Oroville Planning Department, there is the potential for 30,141 units to be constructed within District boundaries in the next 20 years. Development information provided by the City of Oroville Planning Department is included as Appendix C. As a conservative estimate, a total of 6,028 (20% of 30,141) housing were included as a 20 year development projection. The School Facility Program allows districts to apply for modernization funding for classrooms over 20 years old, meaning that school facilities are presumed to be eligible for, and therefore need, modernization after that time period. It is therefore generally presumed that school facilities have a useful life span of 20 years before modernization is needed in order to maintain the same level of service as previously existed. The same would be true for modernization of buildings 20 years after their initial modernization. Therefore, the District's modernization needs are considered over a 20 year period, and a 20 year projection has been included in the Study when considering the homes that will generate students for the facilities in question.

Student Yield

To identify the number of students anticipated to be generated by new residential development, a student yield factor of .5 has been utilized for the Oroville City Elementary School District. The yield factor is based on State wide student yield averages calculated by the Office of Public School Construction.

Construction Cost

The construction cost per K-8 pupil is \$27,023 (Appendix A). Table 1 shows the weighted average to construct facilities per K-8 pupil.

Table 1:
Construction Costs

Grade Level	Construction Costs
K-6	\$26,165
7-8	\$30,027
<p>Weighted Average $((\\$26,165 \times 7) + (\\$30,027 \times 2) / 9) = \\$27,023$</p>	

Source: California Department of Education, Jack Schreder & Associates.

Modernization Cost

The cost to modernize facilities is 41.1 percent of new construction costs. The percentage is based on the comparison of the State per pupil modernization grant (including 3% for Americans with Disabilities and Fire, Life Safety improvements) and the State per pupil new construction grant. For example, the State provides \$10,634 per K-6 pupil to construct new facilities and \$4,049 to modernize facilities, which is 38.1 percent ($\$4,049 / \$10,634$) of the new construction grant amount. In addition, the State provides a minimum of three percent for ADA/FLS improvements which are required by the Department of State Architect’s (DSA) office. Based on the per pupil grant amounts and the ADA/FLS costs, the estimated cost to modernize facilities is 41.1 percent of the cost to construct facilities. The School Facility Program per pupil grant amounts are included in Appendix B.

The construction cost per K-8 pupil is \$27,023 and is outlined in Table 1 and included in Appendix A. Therefore, the per pupil cost to modernize facilities per K-8 pupil is \$11,106 ($\$27,023 \times .411$).

20 Year Modernization Need

The District’s estimated modernization need generated by students generated from new residential development is \$33,473,484. The calculation is included in Table 2.

Table 2:
20 Year Modernization Need

Proposed Development	6,028
Student Yield	<u>x .5</u>
Students Generated	3,014
Per Pupil Modernization Cost	\$11,106
Students Generated	<u>x 3,014</u>
Modernization Need	\$33,473,484

Source: Oroville City Elementary School District, Office of Public School Construction, and Jack Schreder & Associates.

Residential Development and Fee Projections

To show a reasonable relationship exists between the construction of new housing units and the need for modernized school facilities, it will be shown that residential construction will create a school facility cost impact on the Oroville City Elementary School District by students generated from new development.

Based on information from the City of Oroville Planning Department, an estimated 6,028 residential units may be constructed within District boundaries in the next 20 years. Based on five years of developer fee records, residential units average 1,508 square feet per unit. Based on the projected development, approximately 6,028 housing units totaling 9,090,224 (6,028 x 1,508) square feet may be constructed in the District over the next 20 years. The amount of residential fees to be collected can be estimated based on the housing unit projections.

Based on the District's modernization need of \$33,473,484 generated by students from residential construction and the total projected residential square footage of 9,090,224, residential construction will create a facilities cost of \$3.68 per square foot. The calculation is included in Table 3. However, the statutory Level I fee for residential construction is \$3.48 per square foot and the District has a fee sharing

arrangement with the high school district. The high school district collects 38.8% of the fee and the Oroville City Elementary School District collects 58.2% of the fee. Therefore, the District is justified to collect \$2.03 (58.2 percent of \$3.48) per square foot of residential construction.

Table 3:
Facilities Cost per SF from Proposed Residential Construction

Modernization Need	Total Square Footage	Facilities Cost
\$33,473,484	/9,090,224	\$3.68

Source: Oroville City Elementary School District, Jack Schreder & Associates, Office of Public School Construction.

Commercial/Industrial Development and Fee Projections

In order to levy developer fees on commercial and industrial development, Assembly Bill 181 provides that a district "... must determine the impact of the increased number of employees anticipated to result from commercial and industrial development upon the cost of providing school facilities within the district. For the purposes of making this determination, the [developer fee justification] study shall utilize employee generation estimates that are based on commercial and industrial factors within the district, as calculated on either an individual project or categorical basis". The passage of Assembly Bill AB 530 (Chapter 633/Statutes 1990) modified the requirements of AB 181 by allowing the use of a set of state-wide employee generation factors. Assembly Bill 530 allows the use of the employee generation factors identified in the San Diego Association of Governments report entitled, San Diego Traffic Generators. This study, which was completed in January of 1990, identifies the number of employees generated for every 1,000 square feet of floor area for several development categories. These generation factors are shown in Table 4.

Table 4 indicates the number of employees generated for every 1,000 square feet of development and the number of district households generated for every employee in 11 categories of commercial and industrial development. The number of district

households is calculated by adjusting the number of employees for the percentage of employees that live in the district and are heads of households.

Table 4:
Commercial and Industrial Generation Factors

<u>Type of Development</u>	<u>Employees Per 1,000 Sq. Ft.*</u>	<u>District Households Per Employee**</u>
Medical Offices	4.27	.2
Corporate Offices	2.68	.2
Commercial Offices	4.78	.2
Lodging	1.55	.3
Scientific R&D	3.04	.2
Industrial Parks	1.68	.2
Industrial/Business Parks	2.21	.2
Neighborhood Shopping Centers	3.62	.3
Community Shopping Centers	1.09	.3
Banks	2.82	.3
Agriculture	.31	.51
Average	2.55	.27

* Source: San Diego Association of Governments.

** Source: Jack Schreder and Associates.

Based on data available for the purpose of determining the impact of mini-storage construction on the Oroville City Elementary School District, it has been determined that mini storage construction has significantly less impact than other commercial/industrial construction. Mini storage construction generates .06 employees per 1,000 square feet of school construction. This information was provided by the San Diego Association of Governments, Traffic Generators, January 1990, and is cited for use in Education Code Section 17621(e)(1)(B).

The generation of .06 employees per 1,000 square feet and the utilization of the student generation rate per household, yields an impact of \$0.06 per square foot of mini-storage construction. It is recommended that the Oroville City Elementary School District levy a fee for mini-storage not to exceed \$0.06 per square foot.

Historical data shows that commercial/industrial square footage represents approximately five percent of residential square footage. District residential projections indicate that 9,090,224 (Table 3) square feet of residential space will be constructed in the next 20 years. The five percent ratio represents 454,511 square feet of commercial and industrial development. Table 5 illustrates this calculation.

Table 5:					
<u>Projected Commercial/Industrial Fee Square Footage</u>					
<u>Ratio</u>		<u>Residential SF</u>			<u>Commercial SF</u>
.05	x	9,090,224 sf	=		454,511 sf

Source: Oroville City Elementary School District, Jack Schreder & Associates, original research.

According to the average employee generation factors in Table 4, commercial and industrial development will yield 1,159 new employees and 313 new district households over the next 20 years. Table 6 illustrates this calculation.

Table 6:							
<u>Projected Employees/District Households</u>							
<u>from</u>							
<u>Commercial/Industrial Development</u>							
<u>Commercial/Industrial SF</u>		<u>Average Employees Per 1,000 SF</u>		<u>New Employees</u>		<u>New Households</u>	
454,511/1,000	x	2.55	=	1,159	x	.27	=
Number of Households = 313							

Source : San Diego Association of Governments, Oroville City Elementary School District, Jack Schreder & Associates.

The addition of 313 new households created by commercial and industrial development will impact Oroville City Elementary School District with an estimated

157 (313 x .5) additional students. Based on the per pupil K-8 modernization cost of \$11,106, the estimated cost to house 157 students generated from commercial/industrial construction is \$1,743,642 (\$11,106 x 157).

Based on the District's modernization need of \$1,743,642, generated by students from commercial/industrial construction and the total projected square footage of 454,511, commercial/industrial construction will create a facilities cost of \$3.84 per square foot with the exception of mini storage. However, the statutory Level I fee for commercial/industrial construction is \$0.56 per square foot and the District has a fee sharing arrangement with the high school district. The high school district collects 38.8% of the fee and the Oroville City Elementary School District collects 58.2% of the fee. Therefore, the District is justified to collect \$0.33 (58.2 percent of \$0.56) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category should be collected at a rate of \$0.06 per square foot. The commercial/industrial calculation is included in Table 7.

Table 7:
Facilities Cost per SF from Proposed Commercial/Industrial Construction

Modernization Need	Total Square Footage	Level I Fee
\$1,743,642 /	454,511	= \$3.84

Source: Oroville City Elementary School District, Jack Schreder & Associates, Office of Public School Construction.

Summary

Based on the District's modernization need of \$33,473,484 generated by students from residential construction and the total projected residential square footage of 9,090,224, residential construction will create a facilities cost of \$3.68 per square foot. However, the statutory Level I fee for residential construction is \$3.48 per square foot and the District has a fee sharing arrangement with the high school district. The high school district collects 37% of the fee and the Oroville City Elementary School District

collects 58.2% of the fee. Therefore, the District is justified to collect \$2.03 (58.2 percent of \$3.48) per square foot of residential construction.

Based on the District's modernization need of \$1,743,642 generated by students from commercial/industrial construction and the total projected square footage of 454,511, commercial/industrial construction will create a facilities cost of \$3.84 per square foot with the exception of mini storage. However, the statutory Level I fee for commercial/industrial construction is \$0.56 per square foot and the District has a fee sharing arrangement with the high school district. The high school district collects 38.8% of the fee and the Oroville City Elementary School District collects 58.2% of the fee. Therefore, the District is justified to collect \$0.33 (58.2 percent of \$0.56) per square foot of commercial/industrial construction with the exception of mini storage. The mini storage category should be collected at a rate of \$0.06 per square foot.

SECTION II: BACKGROUND OF DEVELOPER FEE LEGISLATION

Initially, the allowable developer fee was limited by Government Code Section 65995 to \$1.50 per square foot of covered or enclosed space for residential development and \$.25 per square foot of covered or enclosed space of commercial or industrial development. The Level 1 fee that can be levied is adjusted every two years, according to the inflation rate as listed by the state-wide index for Class B construction set by the State Allocation Board. In February of 2016, the State Allocation Board changed the Level I fee to \$3.48 per square foot of residential construction and \$0.56 per square foot of commercial and industrial construction.

The fees collected are to be used by the school district for the construction or modernization of school facilities and may be used by the district to pay bonds, notes, loans, leases or other installment agreements for temporary as well as permanent facilities.

Assembly Bill 3228 (Chapter 1602/Statutes of 1990) added Government Code Section 66016 requiring districts adopting or increasing any fee to first hold a public hearing as part of a regularly scheduled meeting and publish notice of this meeting twice, with the first notice published at least ten days prior to the meeting.

Assembly Bill 3980 (Chapter 418/Statutes of 1988) added Government Code Section 66006 to require segregation of school facilities fees into a separate capital facilities account or fund and specifies that those fees and the interest earned on those fees can only be expended for the purposes for which they were collected.

Senate Bill 519 (Chapter 1346/Statutes of 1987) added Section 17625 to the Education Code. It provides that a school district can charge a fee on manufactured or mobile homes only in compliance with all of the following:

1. The fee, charge, dedication, or other form of requirement is applied to the initial location, installation, or occupancy of the manufactured home or mobile home within the school district.

2. The manufactured home or mobile home is to be located, installed, or occupied on a space or site on which no other manufactured home or mobile home was previously located, installed, or occupied.
3. The manufactured home or mobile home is to be located, installed, or occupied on a space in a mobile home park, on which the construction of the pad or foundation system commenced after September 1, 1986.

Senate Bill 1151 (Chapter 1037/Statutes of 1987) concerns agricultural buildings and adds Section 17622 to the Education Code. It provides that no school fee may be imposed and collected on a greenhouse or other space covered or enclosed for agricultural purposes unless the school district has made findings supported by substantial evidence as follows:

1. The amount of the fees bears a reasonable relationship and is limited to the needs for school facilities created by the greenhouse or other space covered or enclosed for agricultural purposes.
2. The amount of the fee does not exceed the estimated reasonable costs of the school facilities necessitated by the structures as to which the fees are to be collected.
3. In determining the amount of the fees, the school district shall consider the relationship between the proposed increase in the number of employees, if any, the size and specific use of the structure, as well as the cost of construction.

In order to levy developer fees, a study is required to assess the impact of new growth and the ability of the local school district to accommodate that growth. The need for new school construction and modernization must be determined along with the costs involved. The sources of revenue need to be evaluated to determine if the district can fund the new construction and modernization. Finally, a relationship between needs and funding raised by the fee must be quantified.

Assembly Bill 181 (Chapter 1109/Statutes of 1989) which became effective October 2, 1989, was enacted to clarify several areas of developer fee law. Assembly Bill 181 provisions include the following:

1. Exempts residential remodels of less than 500 square feet from fees.
2. Prohibits the use of developer fee revenue for routine maintenance and repair, most asbestos work, and deferred maintenance.
3. Allows the fees to be used to pay for the cost of performing developer fee justification studies.
4. States that fees are to be collected at the time of occupancy, unless the district can justify earlier collection. The fees can be collected at the time the building permit is issued if the district has established a developer fee account and funds have been appropriated for which the district has adopted a proposed construction schedule or plan prior to the issuance of the certificate of occupancy.
5. Clarifies that the establishment or increase of fees is not subject to the California Environmental Quality Act.
6. Clarifies that the impact of commercial and industrial development may be analyzed by categories of development as well as an individual project-by-project basis. An appeal process for individual projects would be required if analysis was done by categories.
7. Changes the frequency of the annual inflation adjustment on the Level I fee to every two years.
8. Exempts from fees - development used exclusively for religious purposes, private schools, and government-owned development.

9. Expands the definition of senior housing, which is limited to the commercial/industrial fee and requires the conversion from senior housing to be approved by the city/county after notification of the school district.

10. Extends the commercial/industrial fee to mobile home parks limited to older persons.

SECTION III: REQUIREMENTS OF AB 1600

Assembly Bill 1600 (Chapter 927/Statutes of 1987) adds Section 66000 through 66003 to the Government Code:

Section 66000 defines various terms used in AB 1600:

"Fee" is defined as monetary exaction (except a tax or a special assessment) which is charged by a local agency to the applicant in connection with the approval of a development project for the purpose of defraying all or a portion of the costs of public facilities related to the development project.

"Development project" is defined broadly to mean any project undertaken for purposes of development. This would include residential, commercial, or industrial projects.

"Public facilities" is defined to include public improvements, public services, and community amenities.

Section 66001 (a) sets forth the requirements for establishing, increasing or imposing fees. Local agencies are required to do the following:

1. Identify the purpose of the fee.
2. Identify the use to which the fee is to be put.
3. Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
4. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

Section 66001 (c) requires that any fee subject to AB 1600 be deposited in an account established pursuant to Government Code Section 66006. Section 66006 requires that development fees be deposited in a capital facilities account or fund. To avoid any commingling of the fees with other revenues and funds of the local agency, the fees can only be expended for the purpose for which they were collected. Any income earned on the fees should be deposited in the account and expended only for the purposes for which the fee was collected.

Section 66001 (d) as amended by Senate Bill 1693 (Monteith/Statutes of 1996, Chapter 569), requires that for the fifth year following the first deposit into a developer fee fund, and for every five years thereafter, a school district must make certain findings as to such funds. These findings are required regardless of whether the funds are committed or uncommitted. Formerly only remaining unexpended or uncommitted fees were subject to the mandatory findings and potential refund process. Under this section as amended, relating to unexpended fee revenue, two specific findings must be made as a part of the public information required to be formulated and made available to the public. These findings are:

1. Identification of all sources and amounts of funding anticipated to provide adequate revenue to complete any incomplete improvements identified pursuant to the requirements of Section 66001 (a)(2).
2. A designation of the approximate date upon which the anticipated funding will be received by the school district to complete the identified but as yet, incomplete improvements.

If the two findings are not made, a school district must refund the developer fee revenue on account in the manner provided in Section 66001 (e).

Section 66001 (e) provides that the local agency shall refund to the current record owners of the development project or projects on a prorated basis the unexpended or uncommitted portion of the fees and any accrued interest for which the local agency is unable to make the findings required by Section 66001 (d) that it still needs the fees.

Section 66002 provides that any local agency which levies a development fee subject to Section 66001 may adopt a capital improvement plan which shall be updated annually and which shall indicate the approximate location, size, time of availability and estimates of cost for all facilities or improvements to be financed by the fees.

Assembly Bill 1600 and the Justification for Levying Developer Fees

Effective January 1, 1989, Assembly Bill 1600 requires that any school district which establishes, increases or imposes a fee as a condition of approval of development shall make specific findings as follows:

1. A cost nexus must be established. A cost nexus means that the amount of the fee cannot exceed the cost of providing adequate school facilities for students generated by development. Essentially, it prohibits a school district from charging a fee greater than their cost to construct or modernize facilities for use by students generated by development.
2. A benefit nexus must be established. A benefit nexus is established if the fee is used to construct or modernize school facilities benefiting students to be generated from development projects.
3. A burden nexus must be established. A burden nexus is established if a project, by the generation of students, creates a need for additional facilities or a need to modernize existing facilities.

SECTION IV: REVENUE SOURCES FOR FUNDING FACILITIES

Two general sources exist for funding facility construction and modernization - state sources and local sources. The District has considered the following available sources:

State Sources

State School Facility Program

Senate Bill 50 reformed the State School Building Lease-Purchase Program in August of 1998. The new program, entitled the School Facility Program, provides funding under a "grant" program once a school district establishes eligibility. Funding required from districts will be a 50/50 match for construction projects and 60/40 (District/State) match for modernization projects. Districts may levy the current statutory developer fee as long as a district can justify collecting that fee. If a district desires to collect more than the statutory fee (Level 2 or Level 3), that district must meet certain requirements outlined in the law, as well as conduct a needs assessment to enable a higher fee to be calculated.

Local Sources

Mello-Roos Community Facilities Act

The Mello-Roos Community Facilities Act of 1982 allows school districts to establish a community facilities district in order to impose a special tax to raise funds to finance the construction of school facilities.

1. The voter approved tax levy requires a two-thirds vote by the voters of the proposed Mello-Roos district.
2. If a Mello-Roos district is established in an area in which fewer than twelve registered voters reside, the property owners may elect to establish a Mello-Roos district.
3. Should a Mello-Roos district be formed subsequent to the levying of developer fees, the Mello-Roos district may be exempt from such fees.

General Obligation Bonds

General Obligation (GO) bonds may be issued by any school district for the purposes of purchasing real property or constructing or purchasing buildings or equipment "of a permanent nature." Because GO bonds are secured by an ad valorem tax levied on all taxable property in the district, their issuance is subject to two-thirds voter approval or 55% majority vote under Proposition 39 in an election. School districts are obligated, in the event of delinquent payments on the part of the property owners, to raise the amount of tax levied against the non-delinquent properties to a level sufficient to pay the principal and interest coming due on the bonds.

Developer Fees

The District's developer fees are dedicated to the current needs related directly to modernization and new construction of school facilities.

School District General Funds

The district's general funds are needed by the district to provide for the operation of its instructional program. There are no unencumbered funds that could be used to construct new facilities or modernize existing facilities.

Expenditure of Lottery Funds

Government Code Section 8880.5 states: "It is the intent of this chapter that all funds allocated from the California State Lottery Education Fund shall be used exclusively for the education of pupils and students and no funds shall be spent for acquisition of real property, construction of facilities, financing research, or any other non-instructional purpose."

SECTION V: ESTABLISHING THE COST, BENEFIT AND BURDEN NEXUS

In accordance with Government Code Section 66001, the District has established a cost nexus and identified the purpose of the fee, established a benefit nexus, and a burden nexus:

Establishment of a Cost Nexus & Identify Purpose of the Fee

The Oroville City Elementary School District chooses to construct and/or modernize facilities for the additional students created by development in the district and the cost for providing new and/or modernized facilities exceeds the amount of developer fees to be collected. It is clear that when educational facilities are provided for students generated by new residential, commercial and industrial development that the cost of new facilities exceeds developer fee generation, thereby establishing a cost nexus.

Establishment of a Benefit Nexus

Students generated by new residential, commercial and industrial development will be attending district schools. Housing District students in new and/or modernized facilities will directly benefit those students from the new development projects upon which the fee is imposed, therefore, a benefit nexus is established.

Establishment of a Burden Nexus

The generation of new students by development will create a need for additional and/or modernized school facilities. The District must carry the burden of constructing new facilities required by the students generated by future developments and the need for facilities will be, in part, satisfied by the levying of developer fees, therefore, a burden nexus is established.

SECTION VI: FACILITY FUNDING ALTERNATIVES

The District does not currently have funds to provide for the shortfall in modernization costs. We suggest the District continue to consider the following possible funding alternatives:

1. Participate in the State School Facility Program.
2. Explore voter approved General Obligation Bond election.

STATEMENT TO IDENTIFY PURPOSE OF FEE

It is a requirement of AB 1600 that the District identify the purpose of the fee. The purpose of fees being levied shall be used for the construction and/or modernization of school facilities. The District will provide for the construction and/or modernization of school facilities, in part, with developer fees.

ESTABLISHMENT OF A SPECIAL ACCOUNT

Pursuant to Government Code section 66006, the District has established a special account in which fees for capital facilities are deposited. The fees collected in this account will be expended only for the purpose for which they were collected. Any interest income earned on the fees that are deposited in such an account must remain with the principal. The school district must make specific information available to the public within 180 days of the end of each fiscal year pertaining to each developer fee fund. The information required to be made available to the public by Section 66006 (b) (1) was amended by SB 1693 and includes specific information on fees expended and refunds made during the year.

RECOMMENDATION

Based on the fee justification provided in this report, it is recommended that the Oroville City Elementary School District levy residential development fees and commercial/industrial fees up to the statutory fee for which justification has been determined.

SOURCES

California Basic Educational Data System. California State Department of Education. October Enrollments, 2011-2014.

California State Department of Education. California Public School Directory, 2010.

Chennel-Carter, Penny, Ed.D. Superintendent, Oroville City Elementary School District.

Collard, Gary. Lead Housing Analyst for Southern California. California State Department of Housing and Community Development.

James, Andrew, MBA. Assistant Superintendent, Business, Oroville City Elementary School District.

Office of Public School Construction. Leroy F. Greene School Facilities Act, 1998.

Rust, Donald. Director, City of Oroville Community Development Department.

San Diego Association of Governments. Traffic Generators, January 1990.

Schreder, Jack and Associates. Original research.

Topete, Luis. Associate Planner, City of Oroville Planning Department.

APPENDIX A
CONSTRUCTION COSTS

Elementary School Facility Construction Costs		
I. Allowable Building Area		
	A. Total Student Capacity	
	B. Building Area	
	600 students @ 71sf/student	42,600
	Speech/Resource Specialist	600
	Total	43,200
II. Site Requirements		
	A. Purchase Price of Property (10 Acres)	
	Cost per Acre	\$0
	B. Appraisals	\$0
	C. Costs Incurred in Escrow	\$0
	D. Surveys	\$0
	E. Other Costs, Geo. and Soils Reports	\$0
	Total-Acquisition of Site	\$0
III. Plans		
	A. Architect's Fee for Plans	\$909,290
	B. DSA Plans Check Fee	\$73,934
	C. School Planning, Plans Check Fee	\$6,266
	D. Preliminary Tests	\$4,805
	E. Other Costs, Energy Cons. & Advertising	\$42,187
		\$1,036,482
IV. Construction Requirements		
	A. Utility Services	\$403,501
	B. Off-site Development	\$605,250
	C. Site Development, Service	\$968,399
	D. Site Development, General	\$645,599
	E. New Construction	\$9,830,960
	F. Unconventional Energy Source	\$549,645
	Total Construction	\$13,003,354
	Total Items II, III and IV	\$14,039,836
	Contingency 10%	\$1,403,984
	Construction Tests	\$149,746
	Inspection	\$105,261
	TOTAL ESTIMATED PROJECT COSTS	\$15,698,827
	ESTIMATED COST PER STUDENT	\$26,165
<i>*Source: California Department of Education, Jack Schreder & Associates.</i>		

Middle School Facility Construction Costs		
I. Allowable Building Area		
	A. Total Student Capacity	
	B. Building Area	
	1000 students @ 85sf/student	85,000
	Speech/Resource Specialist	1,360
	Total	86,360
II. Site Requirements		
	A. Purchase Price of Property (20 Acres)	
	Cost per Acre	\$0
	B. Appraisals	\$0
	C. Costs Incurred in Escrow	\$0
	D. Surveys	\$0
	E. Other Costs, Geo. and Soils Reports	\$0
	Total-Acquisition of Site	\$0
III. Plans		
	A. Architect's Fee for Plans	\$1,735,733
	B. OSA Plans Check Fee	\$114,306
	C. School Planning, Plans Check Fee	\$7,194
	D. Preliminary Tests	\$7,993
	E. Other Costs, Energy Cons. & Advertising	<u>\$61,549</u>
		\$1,926,775
IV. Construction Requirements		
	A. Utility Services	\$591,993
	B. Off-site Development	\$666,248
	C. Site Development, Service	\$1,840,317
	D. Site Development, General	\$1,312,675
	E. New Construction	\$19,716,240
	F. Unconventional Energy Source	<u>\$940,022</u>
	Total Construction	\$25,067,495
	Total Items II, III and IV	\$26,994,270
	Contingency	\$2,699,427
	Construction Tests	\$210,425
	Inspection	\$122,458
	TOTAL ESTIMATED PROJECT COSTS	\$30,026,580
	ESTIMATED COST PER STUDENT	\$30,027
*Source: California Department of Education, Jack Schreder & Associates.		

APPENDIX B

PER PUPIL GRANT AMOUNTS

ANNUAL ADJUSTMENT TO SCHOOL FACILITY PROGRAM GRANTS
State Allocation Board Meeting, February 24, 2016

Grant Amount Adjustments

		Regulation Section	Current Adjusted Grant Per Pupil Effective 1-1-15	Current Adjusted Grant Per Pupil Effective 1-1-16
New Construction	Elementary	1859.71	\$10,345	\$10,634
	Middle	1859.71	\$10,942	\$11,247
	High	1859.71	\$13,923	\$14,311
	Special Day Class – Severe	1859.71.1	\$29,070	\$29,881
	Special Day Class – Non-Severe	1859.71.1	\$19,442	\$19,984
	Automatic Fire Detection/Alarm System – Elementary	1859.71.2	\$12	\$12
	Automatic Fire Detection/Alarm System – Middle	1859.71.2	\$17	\$17
	Automatic Fire Detection/Alarm System – High	1859.71.2	\$28	\$29
	Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.71.2	\$53	\$54
	Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.71.2	\$36	\$37
	Automatic Sprinkler System – Elementary	1859.71.2	\$173	\$178
	Automatic Sprinkler System – Middle	1859.71.2	\$206	\$212
	Automatic Sprinkler System – High	1859.71.2	\$214	\$220
	Automatic Sprinkler System – Special Day Class – Severe	1859.71.2	\$548	\$563
	Automatic Sprinkler System – Special Day Class – Non-Severe	1859.71.2	\$368	\$378
Modernization	Elementary	1859.78	\$3,939	\$4,049
	Middle	1859.78	\$4,167	\$4,283
	High	1859.78	\$5,455	\$5,607
	Special Day Class - Severe	1859.78.3	\$12,555	\$12,905
	Special Day Class – Non-Severe	1859.78.3	\$8,399	\$8,633
	State Special School – Severe	1859.78	\$20,925	\$21,509
	Automatic Fire Detection/Alarm System – Elementary	1859.78.4	\$127	\$131
	Automatic Fire Detection/Alarm System – Middle	1859.78.4	\$127	\$131
	Automatic Fire Detection/Alarm System – High	1859.78.4	\$127	\$131
	Automatic Fire Detection/Alarm System – Special Day Class – Severe	1859.78.4	\$352	\$362
	Automatic Fire Detection/Alarm System – Special Day Class – Non-Severe	1859.78.4	\$235	\$242
	Over 50 Years Old – Elementary	1859.78.6	\$5,472	\$5,625
	Over 50 Years Old – Middle	1859.78.6	\$5,788	\$5,949
	Over 50 Years Old – High	1859.78.6	\$7,577	\$7,788
	Over 50 Years Old – Special Day Class – Severe	1859.78.6	\$17,442	\$17,929
	Over 50 Years Old – Special Day Class – Non-Severe	1859.78.6	\$11,664	\$11,989
	Over 50 Years Old – State Special School – Severe	1859.78.6	\$29,069	\$29,880

APPENDIX C

POTENTIAL DEVELOPMENT



City of Oroville

Donald Rust
DIRECTOR

COMMUNITY DEVELOPMENT DEPARTMENT

1735 Montgomery Street
Oroville, CA 95965-4897
(530) 538-2402 FAX (530) 538-2426
www.cityoforoville.org

January 27, 2016

Elona Cunningham
Associate with Jack Schreder & Associates, Inc.
2230 K Street
Sacramento, CA 95816

RE: RESIDENTIAL UNIT COUNT FOR THE OROVILLE CITY ELEMENTARY AND THERMALITO SCHOOL DISTRICTS

Ms. Cunningham,

Per the City of Oroville 2014-2022 Housing Element adopted in June 3, 2014, the City of Oroville had 6,405 total housing units as of 2013:

Structure Type	Units	%
Single-family detached	3,786	59.1%
Single-family attached	221	3.5%
Multi-family 2-4 units	790	12.3%
Multi-family 5+ units	1,227	19.2%
Mobile Homes	381	5.9%
Total units	6,405	100%

Source: Department of Finance, 2013

Per the City's Housing Element, the total housing growth need for the City of Oroville during the 2014-2022 projection period is 1,793 units. However, per the current zoning regulations adopted by the City Council on March 31, 2015, the potential number of units which may be constructed by school district, is as seen below based on the following assumptions:

- Details that could affect the development potential of properties, such as topography, site access, existing structures, protected biological species, protected ecological systems and other environmental constraints, soil characteristics, number of stories, airport influence overlay restrictions, or other project specific information and site constraints are not considered;
- Full build out of the maximum residential density permitted is assumed;

- The provision allowing owners of properties zoned only for single family residential units to apply for the construction of a second dwelling, unit if applicable requirements are met, was not taken into account;
- Mixed Use Zoning designations permit and encourage, but do not require, that residential units be constructed;
- Any fraction for the maximum potential number of units was rounded up to the next whole number;
- Tentative parcel/subdivision maps are not accounted for;
- The potential for a developer to apply for residential density bonuses was not accounted for.

Oroville City Elementary School District

Zones	# of Parcels	Acres	Multi-Family Allowed	Max Density	Max Potential Units
MXC	568	594.33	Yes	30 du/acre	17,830
MXD	282	65.38	Yes	70 du/acre	4,577
MXN	64	57.24	Yes	30 du/acre	1,718
R-1	2,251	332.72	No	1 unit/parcel	2,251
R-2	11	3.37	Yes	14 du/acre	48
R-3	130	53.61	Yes	20 du/acre	1,073
R-4	5	34.29	Yes	30 du/acre	1,029
RL	1,557	1,235.81	No	1 unit/parcel	1,557
RP	3	0.37	Yes	20 du/acre	8
RR-10	1	0.3	No	1 unit/parcel	1
RR-20	49	222.43	No	1 unit/parcel	49
Total					30,141

Thermalito Union School District

Zones	# of Parcels	Acres	Multi-Family Allowed	Max Density	Max Potential Units
MXN	54	96.67	Yes	30 du/acre	2,901
R-1	353	147.73	No	1 unit/parcel	353
R-2	266	99.78	Yes	14 du/acre	1,397
R-3	172	91.99	Yes	20 du/acre	1,840
R-4	15	18.44	Yes	30 du/acre	554
RA	4	15.27	No	1 unit/parcel	4
RL	421	360.87	No	1 unit/parcel	421
RR-1	5	9.94	No	1 unit/parcel	5
RR-20	7	46.98	No	1 unit/parcel	7
Total					7,482

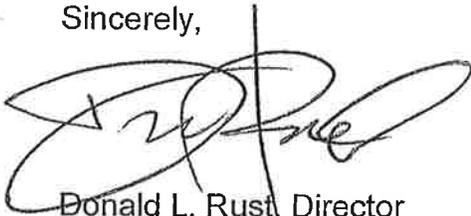
The applicable land use zoning designations identified above are abbreviated as follows:

- Corridor Mixed-Use (MXC)
- Downtown Mixed-Use (MXD)
- Neighborhood Mixed-Use (MXN)
- Single Family Residential (R-1)
- Medium-Density Residential (R-2)
- High-Density Residential (R-3)
- Urban-Density Residential (R-4)
- Agricultural Residential (RA)
- Large-Lot Residential (RL)
- High-Density Residential / Professional (RP)
- Rural Residential 1 Acre (RR-1)
- Rural Residential 10,000 Square Feet (RR-10)
- Rural Residential 20,000 Square Feet (RR-20)

The numbers provided in this letter are based on what could be built per the allowable land uses in the City's 2030 General Plan and Zoning Ordinance. Due to economic cycles and the numerous volatile factors that can affect residential development, the City does not have the ability to provide an accurate number of potential units which may be constructed in the next 20 years. The numbers provided herein are approximations.

If you have any questions regarding the information contained in this letter please contact Donald Rust at (530) 538-2433 or at rustdl@cityoforoville.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Donald L. Rust', written over a vertical line that extends from the signature down to the typed name below.

Donald L. Rust, Director
Community Development Department

LEGAL DESCRIPTION OF
OROVILLE ELEMENTARY SCHOOL DISTRICT
COUNTY OF BUTTE

COMMENCING AT THE NORTHEAST CORNER OF SECTION 4, T19N, R4E, M.D.M.; THENCE WEST ON TOWNSHIP LINE ONE AND ONE-QUARTER MILES TO THE CENTER OF THE FEATHER RIVER; THENCE MEANDERING DOWN THE CENTER OF THE FEATHER RIVER TO INTERSECTION WITH THE LINE BETWEEN SECTION 25 AND 36, T19N, R3E, M.D.M.; THENCE EAST ON SECTION LINE SEVEN-EIGHTHS OF A MILE TO THE SOUTHEAST CORNER OF SAID SECTION 25; THENCE NORTH ON RANGE LINE EIGHT CHAINS, MORE OR LESS, TO THE SOUTHWEST CORNER OF SECTION 30, T19N, R4E, M.D.M.; THENCE EAST ON SECTION LINES TWO MILES TO THE SOUTHEAST CORNER OF SECTION 29, SAID TOWNSHIP; THENCE NORTH ON SECTION LINE ONE MILE TO THE SOUTHEAST CORNER OF SECTION 20, SAID TOWNSHIP; THENCE EAST ON SECTION LINE TWO MILES TO THE NORTHWEST CORNER OF SECTION 26, SAME TOWNSHIP; THENCE SOUTH THREE MILES TO THE SOUTHWEST CORNER OF SECTION 2, T18N, R4E; THENCE EAST ON SECTION LINE ONE AND ONE-HALF MILE TO QUARTER SECTION BETWEEN SECTIONS 1 AND 12, SAME TOWNSHIP; THENCE SOUTH ONE-HALF MILE TO CENTER OF SAID SECTION 12; THENCE WEST ONE-HALF MILE TO WEST QUARTER CORNER OF SAID SECTION 12; THENCE SOUTH ONE MILE TO QUARTER SECTION CORNER BETWEEN SECTIONS 13 AND 14, SAME TOWNSHIP; THENCE WEST ONE MILE TO THE QUARTER SECTION CORNER BETWEEN SECTIONS 14 AND 15, SAME TOWNSHIP; THENCE SOUTH ONE AND ONE-HALF MILES TO SOUTHWEST CORNER OF SECTION 23, SAME TOWNSHIP; THENCE EAST TWO MILES TO THE SOUTHEAST CORNER OF SECTION 24, SAME TOWNSHIP; THENCE NORTH ONE-HALF MILE TO QUARTER SECTION CORNER BETWEEN SECTION 24, T18N, R4E, AND SECTION 19, T18N, R5E; THENCE EAST ONE-HALF MILE TO THE CENTER OF SAID SECTION 19; THENCE NORTH ONE-HALF MILE TO THE QUARTER CORNER BETWEEN SECTIONS 18 AND 19, SAME TOWNSHIP; THENCE EAST ONE-HALF MILE TO THE SOUTHEAST CORNER OF SAID SECTION 18; THENCE NORTH ONE MILE TO THE NORTHEAST CORNER OF SAID SECTION 18; THENCE EAST TWO AND ONE-HALF MILES TO QUARTER SECTION CORNER BETWEEN SECTIONS 10 AND 15, SAME TOWNSHIP; THENCE NORTH ON NORTH AND SOUTH HALF SECTION LINE THREE MILES TO THE QUARTER SECTION CORNER BETWEEN SECTIONS 27 AND 34; THENCE EAST ALONG SECTION LINES THREE AND ONE-HALF MILES TO THE SOUTHWEST CORNER OF SECTION 29, T19N, R6E, IN THE BOUNDARY LINE BETWEEN BUTTE AND YUBA COUNTIES; THENCE NORTHERLY ALONG THE BOUNDARY LINE BETWEEN THE SAID BUTTE AND YUBA COUNTIES, AS NOW ESTABLISHED BY LAW, FOUR AND ONE-HALF MILES TO THE QUARTER SECTION CORNER BETWEEN SECTIONS 9 AND 16, SAID TOWNSHIP; THENCE WEST ONE-HALF MILE TO THE SOUTHEAST CORNER OF SECTION 8, T19N, R6E; THENCE NORTH ON SECTION LINE TWO AND ONE-HALF MILES, MORE OR LESS, TO THE CENTERLINE OF THE SOUTH FORK OF THE FEATHER RIVER; THENCE WESTERLY ALONG SAID CENTERLINE TO THE SOUTHEAST CORNER OF SECTION 33, T20N, R5E; THENCE NORTH ONE-HALF MILE TO THE QUARTER SECTION CORNER BETWEEN SECTIONS 33 AND 34, T20N, R5E; THENCE WEST THREE AND ONE-HALF MILES ON HALF SECTION LINES TO THE CENTER CORNER OF SECTION 36, T20N, R4E; THENCE SOUTH ONE-HALF MILE ON HALF SECTION LINE TO THE SOUTH QUARTER SECTION CORNER OF SAID SECTION 36; THENCE WEST ON TOWNSHIP LINE, TWO AND ONE-HALF MILES TO THE PLACE OF BEGINNING.

From: Mabelle Conn [<mailto:machconn@gmail.com>]
Sent: Friday, April 08, 2016 10:17 AM
To: Dawn Nevers <dnevers@cityoforoville.org>
Subject: request for Council chambers.

City of Oroville
APR 08 2016
Administration

Dear Oroville City Council Members;

As Chairperson of the Arts Commission, I am requesting to extend our time in the Council Chambers for an upcoming meeting. We Commissioners would like to schedule an hour prior to our regular June or July meeting for a “meet your Art Commissioners” event. Our goal is to have members of the local art community and other interested parties share ideas on how we can help develop the arts in our city.

We would appreciate having the City send out a notice inviting the public to the event. We on the Art Commission will be responsible for providing light refreshments and take care of the set up and clean up. Those who attend will be invited to stay for the regular scheduled meeting.

Hopefully, with this type of input, we will build a stronger partnership and be able to better advocate for the Arts in our community.

Thank you, Mabelle Conn, Arts Commission Chairperson



April 13, 2016

Mayor Linda Dahlmeier and City Council
City of Oroville
1785 Montgomery Street
Oroville, CA

City of Oroville
APR 13 2016
Administration

Dear Mayor Dahlmeier and City Council:

The Oroville Area Chamber of Commerce would like to up-date the Council on our work to serve as a Visitor Center for the Oroville area for the fiscal year July 2015 – June 2016. This long term City-Chamber partnership has enhanced, and will continue to strengthen Oroville.

The Oroville Area Chamber of Commerce continues to provide services to strengthen and increase tourism to the Oroville Area. Chamber staff responds to hundreds of inquiries about Oroville from numerous people in the state, out of the state and international visitors. Below is a summary of the work we have performed from July 2015 – March 2016:

- 978 phone call inquiries
- 367 walk-in requests
- 20 visitor and relocation packets mailed out
- 775 Welcome Visitor Bags have been distributed since January 2016
- 4 weekly on-air mentions (KPAY News Talk 1290) on community events since March 8, 2016
- 39 tourism related brochures displayed in our lobby.
- 4 dedicated pages to tourism on the Oroville Chamber website
 - 4.445 million visits to our website in 2015
 - 146,318 visits to the community calendar website page in 2015
- 6 tourism related committee meetings attended each month
- 1 advisory board member on Explore Butte County (TBID)

Regards,

A handwritten signature in black ink that reads "Sandy Linville".

Sandy Linville, PhD
President & CEO

Oroville Chamber of Commerce & Oroville Economic Alliance

Oroville Area Chamber of Commerce, 1789 Montgomery Street, Oroville, California 95965
530.538.2542 www.oroillechamber.com

PUBLIC PARTICIPATION FORM

If you would like to speak at this meeting, please complete this form and hand it to the Clerk, seated at the Council/Commission table. Completion and submission of this form is voluntary. You may speak before the Council/Commission without identifying yourself, but use of this form assists the Mayor/Chairperson to better organization and schedule matters within the meeting.

When your name is called, please step up to the podium and state your name prior to speaking.

NAME: AUGUST K. LINCOLN

ADDRESS (THIS INFORMATION IS VOLUNTARY): 11 WILDFLOWER TERR

AGENDA ITEM OR SUBJECT: "6" SALES TAX INCREASE

4

PUBLIC PARTICIPATION FORM

If you would like to speak at this meeting, please complete this form and hand it to the Clerk, seated at the Council/Commission table. Completion and submission of this form is voluntary. You may speak before the Council/Commission without identifying yourself, but use of this form assists the Mayor/Chairperson to better organization and schedule matters within the meeting.

When your name is called, please step up to the podium and state your name prior to speaking.

NAME: Celia Hirschman

6

PUBLIC PARTICIPATION FORM

If you would like to speak at this meeting, please complete this form and hand it to the Clerk, seated at the Council/Commission table. Completion and submission of this form is voluntary. You may speak before the Council/Commission without identifying yourself, but use of this form assists the Mayor/Chairperson to better organization and schedule matters within the meeting.

When your name is called, please step up to the podium and state your name prior to speaking.

NAME: Allen Young

ADDRESS (THIS INFORMATION IS VOLUNTARY): _____

AGENDA ITEM OR SUBJECT: SALES TAX

PUBLIC PARTICIPATION FORM

If you would like to speak at this meeting, please complete this form and hand it to the Clerk, seated at the Council/Commission table. Completion and submission of this form is voluntary. You may speak before the Council/Commission without identifying yourself, but use of this form assists the Mayor/Chairperson to better organization and schedule matters within the meeting.

When your name is called, please step up to the podium and state your name prior to speaking.

NAME: AUGUST K. LINCOLN

8

PUBLIC PARTICIPATION FORM

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NAME: Toni RUGGLE

ADDRESS (THIS INFORMATION IS VOLUNTARY): 1905 HIGH ST

AGENDA ITEM OR SUBJECT: # 9 : OPPOSITION TO CAL WATER INCREASE.

Jan 17

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NAME: Ted Hanson

ADDRESS (THIS INFORMATION IS VOLUNTARY): 1680 Bard St.

AGENDA ITEM OR SUBJECT: Water Service

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NAME: Celia Hirschman

ADDRESS (THIS INFORMATION IS VOLUNTARY): _____

AGENDA ITEM OR SUBJECT: Cal Water

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NAME: JACK KIEZY

ADDRESS (THIS INFORMATION IS VOLUNTARY): _____

AGENDA ITEM OR SUBJECT: WATER RESOLUTION

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NAME: John Connell

ADDRESS (THIS INFORMATION IS VOLUNTARY): _____

AGENDA ITEM OR SUBJECT: Other Bikes

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NAME: Dean Hill, Jr. Oroville Exchange club

ADDRESS (THIS INFORMATION IS VOLUNTARY): Search for Talent

AGENDA ITEM OR SUBJECT: Non-Agenda Items

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for more information, call (530) 206-9246 or email:

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April 30, 2016 | 6:00 PM

Oroville State Theatre

Admission: \$5/person; \$10/family

Like us on Facebook Find us on Twitter
Graphic design by OddDog Design



EXCHANGE
CLUB
OF
OROVILLE



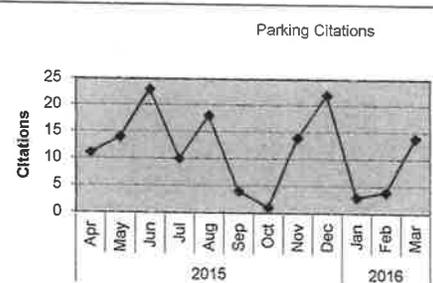
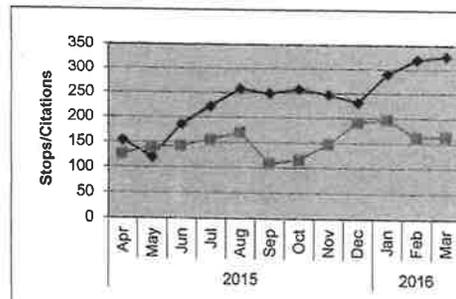
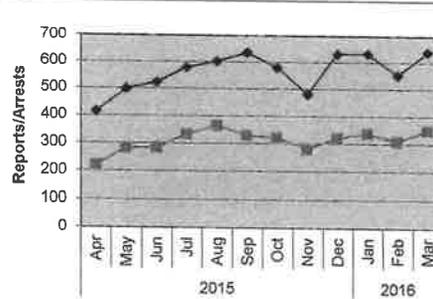
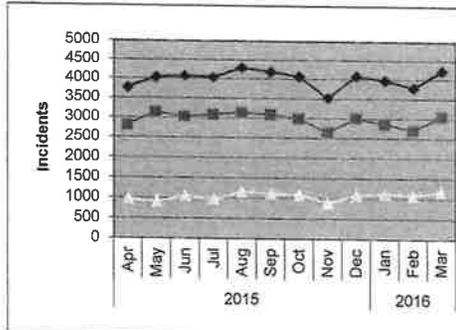
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CALIFORNIA WATER SERVICE

Oroville District 1905 High Street, Oroville, CA 95965-4938
Tel: (530) 533-4034

April 15, 2016

The Honorable Members
Oroville City Council
1735 Montgomery Street
Oroville, CA 95965

Dear Council Members,

As part of our commitment to Oroville, California Water Service (Cal Water) diligently makes improvements to the water system. These improvements help to ensure that our customers, the residents of Oroville, have safe, reliable, and high-quality water utility service for decades to come.

I would like to invite you to join me in visiting several job sites where we are in the process of initiating or completing several of these improvements, including:

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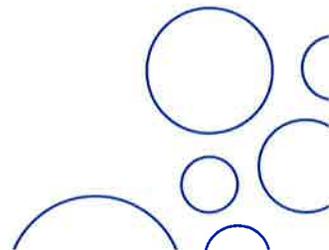
Sincerely,

Toni Ruggle
District Manager

City of Oroville

APR 15 2016

Administration



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NAME: AUGUST K. LINCOLN

ADDRESS (THIS INFORMATION IS VOLUNTARY): 11 WILDFLOWER TERR

AGENDA ITEM OR SUBJECT: "6" SALES TAX INCREASE

4

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NAME: Allen Young

ADDRESS (THIS INFORMATION IS VOLUNTARY): _____

AGENDA ITEM OR SUBJECT: SALES TAX

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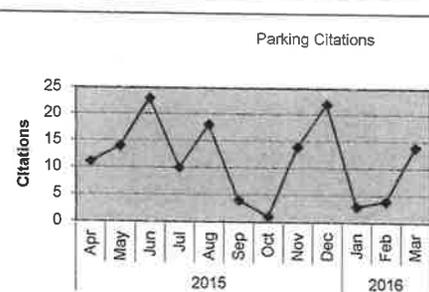
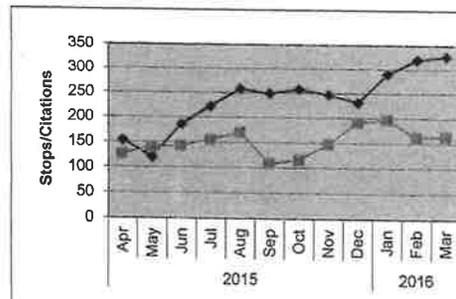
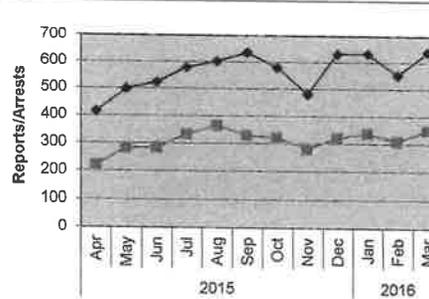
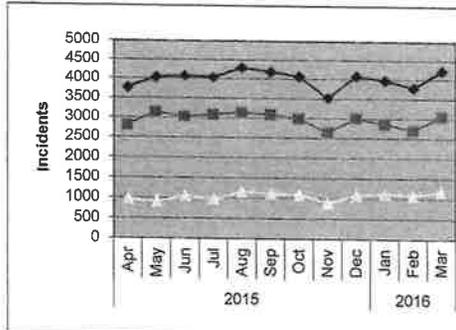
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