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December 18, 2006

Ms. Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Oroville Facilities Project
FERC Docket No. P-2100

Dear Ms. Salas:

Please find enclosed the "Assessment of Butte County's Methods and Assumptions Used to Determine the Operational Impacts of the Oroville Project Facilities On Butte County, December, 2006," prepared by Harvey M. Rose Accountancy Corporation, San Francisco, California.

This Assessment is the initial part of the filing by Butte County, California, of its response to the Draft Environmental Impact Statement for the Oroville Facilities Project, which will be filed December 19, 2006.

Thank you for your attention to this matter.

Sincerely,

/S/

Carol A. Smoots
Abraham Silverman
Attorneys for
Butte County, California

**Assessment of Butte County's Methods and Assumptions
Used to Determine the Operational Impacts of the
Oroville Project Facilities
On Butte County**

December 2006

Prepared by:

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Evaluating the Economic Impacts of the Oroville Facilities Project on Butte County

I. Introduction, Qualifications and Summary Remarks

Project Purpose and Methods

The Harvey M. Rose Accountancy Corporation was retained by Butte County to assess the County's methods and assumptions used to determine the operational impacts, or fiscal effects, of the Oroville Project Facilities on Butte County. The methods and assumptions used in the Draft Environmental Impact Statement (DEIS) for the Project were also reviewed.

To accomplish the objectives of this analysis, the County's *Report on Operational Impacts of the Oroville Project Facilities* (February 2006) and the *Draft Environmental Impact Statement* for the Project, Section 3.3.10.1, Socioeconomics, were reviewed. Supporting materials for these two documents including related Federal Energy Regulatory Commission (FERC) filings; other reports, budget documents and internal analyses prepared by the County; and, related reports prepared by the Department of Water Resources (DWR), the State Water Contractors and their consultants were obtained and reviewed to better understand the conclusions in the two core documents.

Qualifications

The Harvey M. Rose Accountancy Corporation specializes in management advisory services for the public sector, primarily local government entities. Since its inception in 1978 the primary services provided by the firm have been management or performance audits and fiscal analyses for counties, cities, school districts and special districts, primarily in California. The firm has served as Budget Analyst, under contract, to the San Francisco Board of Supervisors since 1978, responsible for conducting management audits of all City and County functions and ongoing review of proposed and supplementary budget appropriations for all departments. The firm also serves as contract management auditor for the Santa Clara County, California Board of Supervisors, responsible for conducting management audits of all departments and programs and services in that county. Between these two client jurisdictions and the many other California counties, cities and local government entities served over the years, the firm has extensive budget review and management audit experience and deep knowledge of local government functions, including all of those assessed in Butte County's report and the Draft Environmental Impact Statement (DEIS).

Fred Brousseau, who served as Project Manager for this engagement, has over 20 years of experience providing management and fiscal analysis services to local government, primarily in California. He has extensive experience conducting management audits in all functional areas of county government, including law enforcement and criminal justice system functions, public works and road maintenance, health and human services, capital

project management and others. He has conducted multi-year analyses of the proposed budgets and the budget process in various California counties and cities.

Catherine Rauschuber has been a Senior Analyst with the firm since August of 2005, She has worked primarily on the Budget Analyst contract for the San Francisco Board of Supervisors, for which she provides fiscal and policy analysis of proposed legislation covering a wide array of issues, departments and programs, including legislation related to public safety staffing, capital projects appropriations, transportation, real estate transactions, public health programs, and fee-setting, among other areas. She also has performed departmental management audits, annual budget reviews, and special projects.

Summary Remarks

In our review of Butte County's methods for assessing the operational impact of the Oroville Project Facilities ("Project"), we found the approaches used by the County to be, on the whole, reasonable, defensible, and appropriately executed. Butte County based its estimates of its Project-related costs on actual County expenditures when available and appropriate, and provided sufficiently justifiable estimates for current or future expenses when actual County expenditure data were unavailable. We find the County's use of peak visitor demand, recreation days, and the "Area of Highest Use" in its calculations to be reasonable and appropriate.

On the other hand, we find that the DEIS assessment of the Project's fiscal effects on Butte County contains numerous deficiencies and inconsistencies, including: (a) it relies primarily on DWR's input-output economic model, which has been found lacking for a number of reasons in other assessments, (b) it errs in its dismissal of Butte County's cost estimates in which peak visitor demand is used, (c) it incorrectly characterizes how various agencies and jurisdictions interact in their provision of services to Project visitors, thereby not fully accounting for the level of service provided by Butte County, (d) it relies heavily on estimates of general economic activity generated by the Project and related indirect economic benefits as arguments to offset actual costs incurred by the County related to the Project, (e) it cites economic benefits that primarily only impact incorporated cities within Butte County as evidence of the Project's benefits to the Butte County government entity, (f) it uses different, and sometimes inappropriate, standards for its analyses of the costs of different County service areas, and (g) it draws conclusions on a number of occasions, often ones not favorable to Butte County's position, without the presentation of sufficient explanation or justification.

Section II is an analysis of the assumptions underlying Butte County's estimates of the economic impact of the Project. Section III is a discussion of the analyses in the DEIS. Section IV provides an assessment by County service category of the reasonableness of the cost and revenue calculations estimated by Butte County. These service categories are law enforcement, criminal justice, fire protection, road maintenance, emergency operations, and health and human services. Each category also includes comments on the DEIS's analysis.

II. Assessment of Butte County Methods

In order to assess County costs attributable to the Project, the County prepared its *Report on Operational Impacts of the Oroville Project Facilities on Butte County* (February 2006). In this document, the County identified services that it routinely provides to non-resident visitors of the Oroville Project Facilities (“Project”), including law enforcement, fire protection, emergency services, road maintenance, and health and human services, and summarizes the cost estimates it generated attributable to the presence of the Project. The report identifies \$3,220,034 of direct annual Project-related costs, \$1,837,983 of indirect Project-related costs for a total of \$5,058,017 in annual costs, and \$10,544,252 in Project-related, one-time costs.

Based on our familiarity with California county budgeting practices and our review of Butte County’s *Report* and related documentation, we find the County’s approach used in calculating its costs attributable to the Project to be, on the whole, reasonable, defensible, and appropriately executed. Butte County based its estimates of its Project-related costs on actual County expenditures when available and appropriate, and provided sufficiently justifiable estimates for current or future expenses when actual County expenditure data were unavailable.

The following sections provide an assessment of the reasonableness of the general approach employed by the County in its calculations.

A. Peak Versus Average Visitor Population

In the majority of the County’s calculations of its Project-related costs, it determined the percent of its actual costs that are reasonably attributable to non-resident visitors. In doing so the County used the average visitor population during the peak recreation season of mid-May through mid-September, as measured by DWR in its recreation surveys.¹ (See Oroville Facilities Relicensing Draft Fiscal Impacts Report R-12). The County then multiplied the peak visitor average by 53.3%, which is the percentage of on-site survey respondents at the Project stating they were non-residents, in order to arrive at the County’s estimate of peak non-resident visitor population. For Project-related costs determined relative to total County costs, the County related the non-resident visitor population to the total population served by the County, resulting in a Non-Resident Visitor Factor (“NRV Factor”) of 2.45 percent. For Project-related costs determined relative to the population in the “Area of Highest Use” (the area defined by the County as the Project Area and the arterial and collector roads leading to the Project Area), the County related the non-resident visitor population to the population of the Area of Highest Use, resulting in a Non-Resident Factor in the Area of Highest Use (“NRV-AHU Factor”) of 8.52 percent. These two non-resident visitor population factors were used to determine the percent of actual costs attributable to non-resident visitor demands.

¹ California Department of Water Resource, Final Report: Existing Recreation Use (R-9), March 2004.

Using average peak visitor demand, as opposed to using year-round average visitor population, is reasonable for a number of reasons for calculating the County's Project-related costs. County data for some service areas, such as Fire Protection services, show a significant increase in the number of calls for service that the County must respond to during the peak season, in some years even as much as 8 times greater than in the off-season.² Many County costs resulting from these peak demand periods are comprised of costs related to personnel, including law enforcement and fire positions. These personnel costs are not seasonal because the positions themselves require extensive training and experience. Using existing County staff at higher levels during peak season, and incurring additional overtime costs during this period is not reasonable because the County's level of service is currently already constrained by a limited budget and there is not excess staffing capacity, particularly in law enforcement. In June 2005, the California Commission on State Mandates concluded that Butte County is significantly below State standards in its law enforcement staffing levels. Further, much of the equipment needed to provide services to the Project is too specialized to rent and must be purchased, which cannot be done seasonally.

Finally, the use of peak visitor population is clearly reasonable for those areas in which demand does not drop significantly during the non-peak season, such as is the case with law enforcement services. Project-driven law enforcement demands placed on the Butte County Sheriff's Department do not drop during the non-peak season commensurate with the drop in visitorship. The State's Department of Parks and Recreation, provides some law enforcement services in the Project area, but only for seven months of the year, leaving a greater share of the law enforcement burden on Butte County during the other five months.³ Similarly, the California Department of Forestry provides some staff in the Project Area but for wildland fires only during the peak summer months.⁴ The County must provide coverage for all firefighting and rescue service in the Project area the rest of the year. Thus, although visitor numbers drop during non-peak periods, the County must respond to a higher percentage of the total number of calls for assistance and emergencies at the Project that do arise.

B. Recreation Days Versus Visitor Days

The County used data representing "recreation days" instead of "visitor days" in calculating visitor population. A "recreation day" represents each recreational activity undertaken by one visitor on one day, whereas a "visitor day" measures each visitor on a single day, during which they may undertake a number of activities. The DEIS argues that the County inappropriately uses recreation days rather than visitor days to calculate visitor population because this approach inflates estimated demand by over-estimating the number of persons present at any one time. The number of annual visitor days

² Butte County fire and rescue call data for the past three years, provided by Shari McCracken, Butte County Deputy Administrative Officer, December 2006.

³ Communication with Sean Farrell, Butte County Deputy Administrative Officer, December 2006.

⁴ Communication with Shari McCracken, Butte County Deputy Administrative Officer, December 2006.

reported by DWR is 1,137,000 whereas the number of recreation days was 1,727,686.⁵ The ratio between these two numbers ($1,727,686/1,137,000 = 1.5195$) indicates that, on average, visitors to the Project area participate in approximately 1.5 activities per visits (e.g., picnicking and fishing).

Using recreation days is reasonable and appropriate for calculating County fiscal impacts for a number of reasons. For some County cost calculations, such as road maintenance, the use of recreation days is clearly appropriate because there is a direct nexus between the number of recreation activities taking place and the wear that such activities have on the road infrastructure as visitors move from one activity to another. Also, it is reasonable to use recreation days for law enforcement, fire, and rescue cost calculations because the likelihood of needing law enforcement or emergency assistance is increased through exposure to different recreation situations and the movement from one recreation activity to another. The likelihood of outcomes requiring County assistance is not simply a result of the amount of time spent in recreation in the project, which would be captured by the visitor day figure only.

C. Area of Highest Use

The County defined the Area of Highest Use (AHU) in performing some of its cost estimates. The AHU is the area surrounding and including the Project, and is defined by the arterial and collector roads that lead to the Project Area. The County used the AHU in identifying Project-related costs for services such as fire stations and road maintenance. We find the County's use of AHU to be reasonable because it allows for identification of County costs and services on a geographic basis, and therefore such costs can be more directly attributed to the Project.

⁵ California Department of Water Resource, Final Report: Existing Recreation Use (R-9), March 2004.

III. Critiques of the DEIS's Assessment of Economic Impacts on Butte County

Our review of the DEIS and related supporting documentation resulted in identification of the following deficiencies regarding identification of the Project's fiscal effects on Butte County:

- A. The DEIS's assessment of the Project's fiscal impact on Butte County relies primarily on DWR's input-output economic model, which has been found lacking for a number of reasons in a number of previous analyses.
- B. The DEIS errs in its dismissal of Butte County's cost estimates in which peak visitor demand is used.
- C. The DEIS incorrectly characterizes how the various agencies and jurisdictions interact in their provision of services to Project visitors, thereby not fully accounting for the level of service provided by Butte County.
- D. The DEIS relies heavily on estimates of general economic activity generated by the Project and related indirect economic benefits as arguments to offset actual costs incurred by the County related to the Project.
- E. The DEIS cites economic benefits that primarily only impact the incorporated cities of Butte County as evidence of the Project's benefits to the Butte County government entity.
- F. The DEIS uses different standards for its analyses of the costs of different public service areas.
- G. The DEIS draws conclusions on a number of occasions, often ones not favorable to Butte County's position, without the presentation of sufficient explanation or justification.

Following is a discussion of each of these critiques.

A. The DEIS relies on an economic – fiscal model that is insufficient and inappropriate for estimating Butte County's costs and revenues.

The DEIS assessment of the Project's economic impact on Butte County relies primarily on DWR's input-output economic model, which has been found lacking for a number of reasons in previous assessments. The model translates visitor spending patterns, actual County costs, assumptions about non-resident visitor service requirements, and population size into estimates of economic benefits and net cost to the County.

We find the model lacking for a number of reasons. First, the reliability of the input data is in question and therefore the results are as well. As described by Ebeling and Shockley, there were significant failures in survey research methods raising questions about the input data used in the model.⁶ Two of these issues are: 1) the method of placing the

⁶ Jon S. Ebeling and Frederica Shockley, "Response to Draft Environmental Impact Statement for Oroville Facilities," November 21, 2006.

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survey instrument on car windshields introduced potential population sample biases, and, 2) the State has been unable to produce the survey instruments and data cleaning methods for external review. The DEIS admits that the visitor survey spending estimates are flawed on page A-4, but states that because they are the only data available, they are relied on.

Second, the model relies on many more assumptions and variables than the Butte County approach, and therefore introduces more uncertainty into cost calculations, rather than directly attempting to estimate the County's costs through available expenditure and revenue data. The model provides outputs of Project-attributable County cost estimates based upon, among other things, inputs of visitor spending patterns, the accuracy of which have been challenged. The County's approach, in which actual costs to provide services is calculated using standard county budgeting practices, instead of being backed into through formulaic reliance on many assumptions and input variables, is more appropriate for the fiscal analysis at hand. The model seems to be better suited for providing estimates of indirect effects to the economy rather than direct effects to the County's budget, when such information is obtainable using a more direct approach.

Finally, the model does not take into account the actual way County budgets are constructed. The nature of many County costs, including personnel and equipment expenses, do not occur in a linear manner. County cost increments are often incurred in fixed, marginal amounts such as when full-time new positions must be added to fill an additional shift or when vehicles needed to be periodically replaced for patrol services. As an example, if every 1,000 additional visitors to the Project Area triggered the need for 1.0 FTE additional law enforcement personnel, then with the addition of only 800 new Project visitors, the County would not add 0.8 of a Deputy Sheriff position but would add a full-time position, consistent with County hiring practices. And that officer would need a fixed amount of training and equipment including a vehicle, weapons, uniforms, etc. The straight line, or linear, projections used in IMPLAN, based upon a service area cost per capita, are not in tune with the reality of any county's operations and practices. Further, they assume that existing service levels should remain in place and do not allow for enhancements in service levels needed because of the Project.

B. The DEIS errs in its dismissal of Butte County's cost estimates in which peak visitor demand is used.

As described in considerable depth previously, we find Butte County's use of peak visitor demand to be, on the whole, reasonable. The County's use of peak visitor demand, as opposed to average visitor demand, is appropriate, given (a) the nature of the many Project-related costs incurred by the County such as for personnel, equipment, and other costs which cannot be scaled back during the non-peak season when State law enforcement and firefighting personnel are dismissed, (b) that the County does not have the excess law enforcement and fire-rescue capacity to "staff up" with existing staff and overtime to cover the demonstrated additional need during peak season, and (c) that Project-driven law enforcement demands placed on certain service areas, such as the

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Butte County Sheriff's Department, do not drop during the non-peak season commensurate with the drop in visitorship.

C. The DEIS errs in its characterization of how the various agencies and jurisdictions interact in their provision of services to the Project and its visitors.

The DEIS states on page 317 that "Project related public services provided by local government are primarily the responsibility of the City of Oroville and Butte County." The City of Oroville provides some project-related public services to non-resident visitors passing through and residents living in Oroville as a result of the Project. However, 100 percent of the Project is located in the unincorporated areas of Butte County, and the City does not, therefore, share in the "primary responsibility" for the provision of services to the Project.

The DEIS incorrectly states that State Department of Parks and Recreation is the primary provider of law enforcement services within the Project Area. In fact, law enforcement services are shared by a number of jurisdictions, and the Butte County Sheriff is the chief law enforcement officer for the entire county, including all of the Project area, and is ultimately responsible for public safety.⁷

The Butte County's Sheriff's Office responds to calls for service within the Project Area each year from resident and non-resident visitors, as well as mutual aid requests from outside agencies including the California Highway Patrol and the State Departments of Parks and Recreation and Fish and Game. The Sheriff's Office must support special events at the Project Area and responds to flooding and other significant weather events. Further, there are areas within the Project Area that receive no law enforcement coverage by other agencies, and the entire burden falls upon Butte County. The Oroville Wildlife Area is currently completely without law enforcement coverage by any agency other than the County and is the site of a significant volume of criminal activity, according to County representations.

The DEIS accepts DWR's estimates for the cost to Butte County to provide fire protection services to the Project and states that the California Department of Forestry and Fire Protection (CDF) has primary responsibility for fire fighting activities at the Project. In fact, CDF has primary responsibility only for responding to wildland fires in the Project Area, and also only for those occurring in the State-designated zone to the east of Highway 70, which traverses the County north-south. The County is the primary responder for all other fires in the unincorporated areas of the County, including the rest of the Project area, and is also frequently called upon to provide back-up assistance for calls in incorporated cities such as Oroville.⁸

⁷ See California State Constitution and Government Code 26600, which sets forth the duties and responsibilities of Sheriff in California counties.

⁸ Communication with Shari McCracken, Butte County Deputy Administrative Officer, December 2006.

D. The DEIS relies heavily on estimates of general economic activity generated by the Project, and related indirect economic benefits, as arguments to offset actual costs incurred by the County related to the Project.

Even if many of the economic benefits of the Project occur within the unincorporated areas of Butte County, it does not follow that these benefits translate in to net fiscal gains for the Butte County government entity. The DEIS does not provide adequate justification to show this logical jump. For example, the DEIS makes the assumption that the costs of new environmental measures proposed by the DWR for the Project will result in a “substantial number of construction-related jobs, many of which could be filled by County residents.” However, no data is provided to justify this claim. Butte County contends that there is no guarantee that these jobs would be filled by County residents, in particular if the proposed environmental projects require highly specialized engineering, biological, or environmental work.

Further, the DEIS provides information on the estimated number of jobs the Project has created through recreation activity and facilities O&M spending, but does not balance this with a discussion of the number of higher-paying jobs that were lost by the introduction of the Project, which included engineers, operators, plant foremen, and support jobs at Big Bend Power Plant, logging industry jobs, and commercial jobs associated with the community of Las Plumas. Also, it should be noted that of the estimated \$9.8 million in State annual Project expenditures in all of Butte County, as shown in Table 63 of the DEIS, most of this is in the form of salaries, and therefore it is unclear how much of this actually translates to direct benefits to the County such as the County’s largest revenue sources: property taxes, inter-governmental transfers and charges for services.⁹

Finally, although the DEIS mentions the well-documented economic and fiscal hardships experienced by the County and its residents, the DEIS does not attempt to relate this information to the economic benefits described above. For example, although the DEIS mentions that the percentage of residents in Butte County below the federal poverty line is well above the regional, state and national averages, there is no discussion of what the potential impact of the Project might be on this significant poverty rate, and how this in turn impacts the County’s total revenues and expenditures.

⁹ Butte County Administration Office, Butte County Budget FY 2005-06.

E. The DEIS cites economic benefits that primarily only impact incorporated jurisdictions within the County as evidence of the Project's benefits to the Butte County government.

In the section "State Agency Expenditures at Oroville Facilities," the DEIS presents information in Table 63 concerning annual State agency expenditures related to the Project, totaling \$15.4 million. These facts do not show any significant direct benefits that accrue to the County, but rather indicate that 83.6 percent of expenditures occur either within the City of Oroville or outside Butte County. Also, in the section "Recreation User Spending at the Project" the DEIS presents information in Table 64 showing that recreation user spending at the project is estimated by DWR as being \$30.7 million annually. However, this information does not show significant spending by recreation users in the unincorporated areas of the County, but rather shows spending in incorporated areas, meaning the bulk of the sales taxes generated do not benefit the County. (In fact, as discussed later in Section IV.G, Revenues, the County estimates its Project-related Sales Tax revenues to be only \$297,487, a figure verified by an outside consultant.) Finally, the DEIS devotes a section to the fiscal conditions of local agencies in order to show that there are jurisdictions near the Project, such as the Cities of Oroville and Chico, that have higher per capita sales tax revenues relative to other jurisdictions. The net benefits of the Project to these other local government jurisdictions do not mitigate the net costs to Butte County.

F. The DEIS uses different, or inappropriate, standards for its analyses of the costs of different County service areas.

One of the purposes of an Environmental Impact Statement is to assess the costs and benefits of a proposed project and not necessarily to assume that existing costs and benefits will or should remain in place. The DEIS does not account for impacts on the County by allowing for new costs or marginal cost increases that will or should be incurred because of the Project. On the other hand, the DEIS frequently cites changes in economic benefits resulting from the proposed Project, such as new construction-related jobs that might be produced in the County.

There are several examples of the DEIS denying the real future costs or cost increases resulting from the Project. For example, in its assessment of law enforcement costs, the County is proposing that there are patrol costs associated with the Oroville Dam. The dam would not be there without the Project, and therefore the need to patrol it would not be either. The DEIS does not agree with this assessment because, it states that such patrol services have not been requested by DWR or by the State or federal Departments of Homeland Security. However, it is important to note that should any patrolling of the dam be deemed necessary by the appropriate law enforcement officials, including the Butte County Sheriff, no portion of these costs should be borne by the County.

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This same pattern is shown in the DEIS's refusal to assume any Project-related training and equipment costs for the new law enforcement personnel. The DEIS states "In making the staff estimate, we did not include the cost to train and equip additional law enforcement personnel because Butte County's justification for this cost is based on a higher level of service than the Sheriff's." Even if the DEIS authors wish to maintain a lower level of service the County believes it should be providing, it does not mean that the staff does not need training and equipment to perform their duties. To be consistent, the DEIS should have allowed funding for such necessary law enforcement items at a level consistent with the current lower service level.

The DEIS approach of not allowing for higher service levels in their estimates of County law enforcement costs is inconsistent with its inclusion of State Department of Fish and Game's *proposed* enhanced funding for 5.5 new positions in the Oroville Wildlife Area as one reason why more funding should not be provide to Butte County for law enforcement. The DEIS approach seems to be that enhancing State resources to fulfill unmet needs is appropriate but enhancing County resources is not. The County reports that the proposed DFG positions have not been filled as of the writing of this report.

The DWR's input-output economic model that the DEIS relies on also only appears to calculate criminal justice costs that are directly driven by visitors, and not those costs resulting from indirect (growth-related) and indirect Operations and Maintenance (O&M) spending. Table 67 in the DEIS shows that the estimate for criminal justice costs are only calculated when visitor driven, and there are no costs listed for indirect (growth-related) and O&M related costs, as is the case for all of the other major service areas for which costs are estimated in the DEIS. If indirect and O&M related criminal justice costs were to be included, these would likely be a significant amount, as shown in all other major service areas. For example, applying the model's ratio of visitor driven to indirect/O&M cost estimates for law enforcement (1 to 3.84) to the \$216,400 estimated in visitor driven criminal justice costs results in a potential indirect/O&M cost estimate for criminal justice of \$831,353. Although the ratio may be different for criminal justice than for law enforcement, this calculation at least provides insight into the scale of the missing amount in the DEIS.

The DEIS excludes in its County cost estimates some areas that should not be excluded. For example, public assistance costs (welfare, health care, and child support) are treated as "exogenous factors", because according to DWR's R-19 report "these services are supported by Federal and State revenues, which are also treated as exogenous." Therefore, the model does not attribute any share of County Health and Human Services (HHS) costs to the Project. However, according to the County's *Report*, of the total HHS expenditures in FY 2004-2005 of \$170,726,473, \$36,759,669 were borne by the County and not supported by State or Federal sources. The State of California administers HHS at the county level and requires counties to pay a share of mandated services for some programs.

The DEIS estimates road maintenance costs attributable to the Project to be \$200,480. However, the DEIS states that only costs for maintaining roads within the Project

boundary, and those used exclusively for Project access, should be considered. Section 1508.08 of the National Environmental Policy Act Terminology states that “effects” in the context of EISs include indirect effects, “which are caused by the action and are later in time or farther removed in distance” and may include “induced changes in the pattern of land use.” Therefore, the DEIS approach is inconsistent with the appropriate standards of an Environmental Impact Statement, in which the cost should include assessing the impacts of visitor travel outside of Project boundaries. As a result the DEIS does not take into account the County’s costs to maintain the total miles of roads used by visitors to access the Project. Further, the DEIS also does not support the County’s estimate for upgrading and maintaining the unpaved roads leading exclusively to the Project, a clear omission and error in its understanding of the appropriate standards applied to an Environmental Impact Statement.

G. The DEIS draws conclusions on a number of occasions, often ones not favorable to Butte County’s position, without the presentation of sufficient explanation or justification.

In calculating the costs for County communications equipment, the DEIS seems to arbitrarily pick the longer of two estimates for the life of the communication system, simply stating, without explanation, that “The County indicated that the communication system serving the public safety agencies in the project area would need to be upgraded every 7 to 10 years, and we assumed a 10-year interval in our estimate.” Seven years, the lower number in the range, is a not uncommon replacement cycle for equipment in County budgets.

Further, the DEIS accepts an errata document submitted by DWR, in which DWR reduced the number of miles for the road maintenance estimate from 144 to 35 with no apparent explanation. The DEIS should not base any of its cost estimates on such unjustified conclusions else the analysis be considered to be significantly biased.

IV. Assessment of Fiscal Impact Estimates

We find Butte County's approach to calculating its costs attributable to the Project to be, on the whole, reasonable, defensible, and appropriately executed. Butte County based its estimates of its Project-related costs on actual County expenditures when available and appropriate, and provided sufficiently justifiable estimates for current or future expenses when actual County expenditure data were unavailable.

The following sections provide an assessment of the reasonableness of the specific service category calculations, followed by responses to the DEIS cost estimate for each category.

A. Law Enforcement Services

Sheriff Department Operations

Butte County estimated its law enforcement costs attributable to the project to be \$681,670 annually in operations costs and \$542,000 in one-time initial costs for vehicles, training, equipment, and supplies. The County performed this calculation by: (1) estimating that it responds to 50 percent of all law enforcement calls in the Project Area, (2) applying this response percentage to the estimated peak service demand for non-resident visitors, resulting in an adjusted population of 2,635 for which the Sheriff's Department needs to provide services, (3) surveying the law enforcement staffing and operations costs of surrounding jurisdictions in order to arrive at an average service provision cost of \$258,698 per 1,000 people, which is equivalent to 2.84 positions (sworn and non-sworn) per 1,000 people, and (4) multiplying the adjusted population size served by the survey's finding of average cost per capita. To calculate the initial one-time fixed costs, the Department estimated the types and amounts of initial costs required for five sworn positions and 2 non-sworn positions, the number of new positions required to achieve the staffing ratio of 2.84 positions per 1,000 in population.

We find that the County's calculation of its law enforcement costs to be reasonable. The County uses a conservative estimate of the percentage of Project Area calls it responds to, which was arrived at by comparing its own limited available call response data with DPR's. Calls alone don't account for the time spent by officers accessing some of the more remote locations in the Project area. The estimate is also conservative given that the Sheriff's Office provides a wide variety of support services to the Project not included in these normal requests for patrol assistance, including supporting special events at the Project Area, providing search and rescue and dive assistance services, responding to flooding and other significant weather events, and providing coroner services when needed.

The County's use of peak visitor demand in its calculation of population is supported by the fact that visitor-driven law enforcement demands placed on the Butte County Sheriff's Department do not drop during the non-peak season commensurate with the drop in visitorship. This is because the State Department of Parks and Recreation

provides law enforcement services at the Project Area for only seven months per year, including the peak summer months, thereby leaving a greater share of the law enforcement burden on Butte County during the non-peak season.¹⁰

The County's use of survey data for surrounding jurisdictions to arrive at staffing costs is reasonable because the Sheriff's Department needs to increase its current level of staffing to reach an acceptable service level. Therefore using existing County costs would not provide an accurate cost estimate of the proposed Project impact. Because the County Sheriff's Department is already significantly understaffed, at times with only 4 Deputy Sheriffs covering the 1,675 square miles of the County, responding to calls within the Project Area diminishes the County's ability to deploy its limited resources to other law enforcement calls from the entire County population.

For comparability with other counties, the law enforcement need in Butte County is 2.77 sworn personnel per 1,000 people, as determined by the June 2005 California Commission on State Mandates report assessing Butte County's staffing. Therefore, the staffing ratio of the surveyed jurisdictions, which is 2.84 law enforcement personnel per 1,000 people, corroborates the law enforcement staffing deficiency identified by the Commission on State Mandates. Further, the choice of the five surrounding jurisdictions for use in the survey is reasonable because of their small population sizes and close proximity to the Project, therefore likely mirroring similar law enforcement needs as Butte County.

Criminal Justice Services

Butte County estimated its criminal justice system attributable to the Project to be \$664,585 annually. The County performed this calculation by: (1) calculating its actual operating expenditures for criminal justice services not entirely funded by the State of California, which total \$27,125,900 in FY 2004-2005 and include County costs for the District Attorney (criminal), Probation Department, Public Defender, and Sheriff (Jail), and (2) multiplying this total actual expenditure amount by the 2.45%, the proportion of non-resident visitors to total population served (NRV Factor).

We conclude that the County's calculation of its total criminal justice system costs is reasonable. The County identified these costs by using its actual operating expenditures for criminal justice system services in FY 2004-2005. We also find that it is appropriate to allocate some portion of these costs to the Project since once one enters the criminal justice system through an arrest or other means, all of the related services are needed to some extent.

¹⁰ Communication with Sean Farrell, Butte County Deputy Administrative Officer, December 2006.

Oroville Dam Patrol

Butte County estimated its projected costs for patrolling the Oroville Dam to be \$689,161 annually and one-time costs of \$490,000. The County performed this calculation by: (1) determining the minimum staffing level required to provide coverage to the dam 24 hours per day, assuming one officer on duty per shift, (2) calculating the annual cost in FY 2004-2005 of this minimum staffing level, (3) applying Sheriff's Office departmental overhead and supply costs, and (4) estimating the one-time costs to hire, train and equip the new personnel.

We find that the County's calculation of its projected costs to patrol the Oroville Dam to be reasonable. The minimum staffing level used in the calculation, which was determined by the Sheriff's Office and is comprised of 6 Deputy Sheriffs and one Sergeant, is in-line with commonly accepted staffing levels for 24 hour law enforcement coverage. A typical law enforcement staffing configuration with a relief factor for such coverage is generally in the range of 6-7 positions, assuming that the positions are 75-80% productive (after accounting for paid time off such as sick leave, vacation and mandatory training). This is consistent with the County's calculation that would add 6 Deputy Sheriffs and one Sergeant. The calculation of one-time costs is consistent with the assumptions used to calculate the one-time costs for the law enforcement personnel discussed in the earlier section. This analysis does not evaluate the validity of the need for the patrol coverage.

We also note that the County did not include departmental or Countywide indirect costs in its estimate, which would increase the annual estimated costs of Oroville Dam law enforcement patrol.

Comments on the DEIS Estimate of Law Enforcement Costs

The DEIS estimate for law enforcement costs (which includes criminal justice system costs) is \$926,200. We find that this estimate to be insufficient for a number of reasons. First, the DEIS does not use peak visitor demand, but as previously described, peak visitor demand is appropriate for costs such as these law enforcement costs because: (a) the nature of the many Project-related costs incurred by the County are the result of personnel, equipment, and other costs which cannot be scaled back during non-peak season when State law enforcement personnel in the Project area are dismissed; (b) the County does not have the excess law enforcement capacity to "staff up" and use existing staff and overtime to cover the demonstrated additional need during the four month peak season; and, (c) Project-driven law enforcement demands placed on certain service areas, such as the Butte County Sheriff's Department, do not drop during the non-peak season commensurate with the drop in visitorship due in part to the departure of State law enforcement personnel from the Project Area for five months every year.

Additionally, the DEIS incorrectly characterizes the nature of the provision of law enforcement services by the various jurisdictions. The DEIS states that State Department of Parks and Recreation is the primary provider of law enforcement services within the Project Area. In fact, law enforcement services are shared by a number of jurisdictions,

but the Butte County Sheriff is the chief law enforcement officer for the entire County, which includes all of the Project area, and is ultimately responsible for public safety in the County.¹¹

The Butte County's Sheriff's Office responds to calls for service within the Project Area each year from resident and non-resident visitors, as well as mutual aid requests from outside agencies including the California Highway Patrol, State Parks and Recreation, and the Department of Fish and Game. The Sheriff's Office must support special events at the Project Area and responds to flooding and other significant weather events. Further, there are areas within the Project Area, such as those within the Oroville Wildlife Area, that receive no law enforcement coverage by other agencies, and the entire burden falls upon Butte County.

Finally, the DEIS performs its calculation of law enforcement staffing needs based on the Sheriff's current level of service, and does not address the appropriate staffing level needs for the County, as discussed above. In fact, the DEIS proposed funding level for visitor driven law enforcement is \$146,600 which would cover the annual salaries and benefits of only approximately 1.8 Deputy Sheriff positions¹². This would provide a level of law enforcement service for the visitor population of .97 sworn personnel for every 1,000 visitors, lower than the already low level of service currently provided by the County *and* assuming only 1,910 average daily number of visitors. If the more appropriate 2,635 peak number of visitors per day is assumed, the County's law enforcement service level resulting from the law enforcement funding level recommended in the DEIS would be even lower, at .7 sworn positions for every 1,000 visitors.¹³

B. Fire Protection and Emergency Services

Operations. Butte County estimated its fire operations costs attributable to the Project to be \$393,267 annually. The County performed this calculation by: (1) identifying the 21 fire stations serving the Area of Highest Use, including those jointly operated by Butte County and the California Department of Forestry and Fire Protection; (2) calculating the County's total annual operating costs for these 21 stations; and, (3) multiplying each station's annual operating costs by one of two cost factors, based upon whether the station is a "direct response" station or a "partial response" station. If the station is a direct response station, which means the station responds directly to fires within the Project area, the cost factor used is the Non-Resident Visitor Use within the Area of

¹¹ See the California State Constitution and Government Code 26600, which set forth the duties and responsibilities of a Sheriff in California Counties.

¹² This estimate is based on average salary and benefits costs for Deputy Sheriffs of \$79,866 as presented in Butte County's *Report on Operational Impacts of the Oroville Project Facilities on Butte County* (p. 23).

¹³ The .97 service level per 1,000 visitors is based on 1.86 sworn positions divided by 1,910 average visitors/1,000 = .97. The .7 service level is based on 1.86 sworn positions divided by 2,635 peak visitors/1,000 = .7.

Highest Use Factor (NRV-AHU Factor), which is the peak nonresident visitor population divided by the sum of the County population within the AHU and the peak non-resident visitor population. If the station is a partial response station, which means the station provides only partial response in the AHU or “moves up and cover” direct response stations when mandated, the cost factor used is the NRV Factor described above (peak non-resident visitor population divided by the sum of the total County population and non-resident visitor population).

We find the County’s calculation of its annual Project-related operations costs for fire protection to be reasonable. The County’s use of the Area of Highest Use is reasonable because the nature of fire operations is spatial – only those stations that are close enough to the Project to provide fire protection coverage are included. The annual operating costs of facilities used are reasonable because they are based on operating, replacement and equipment costs for the designated stations only. The County’s cost estimates do not include costs for non-Project-related activities, such as planning, building permit review or fire prevention. It should also be noted that indirect County costs were not included in this estimate, as they should be to determine full fiscal impact, and they are based on a recent consultant study of individual station costs that the County requested, in an effort to assess its fire services costs.

The application of the NRV-AHU Factor for costs of direct response stations is reasonable because it represents the ratio of visitor demand to County population within the Project Area, and a higher percentage of these stations’ operating costs should be borne by the Project because these stations are required to respond to fires within the Project area. The application of the NRV Factor for costs of partial response stations is reasonable because although these stations provide partial response to fires within the Project, they also provide service outside the Project area.

Facilities. Butte County estimated its total one-time Project-related costs for replacing fire stations within the Area of Highest Use to be \$921,480. The County performed this calculation by: (1) identifying only the eight fire stations located within the Area of Highest Use, (2) estimating the average replacement cost for a fire station in California, or \$2.1 million, (3) multiplying each station’s replacement cost by one of two cost factors, based upon whether the station is a “direct response” station or a “partial response” station. If the station is one of the four direct response stations, which means the station responds directly to fires within the Project area, the cost factor used was the 8.52 percent Non-Resident Visitor Use Within the Area of Highest Use Factor (NRV-AHU Factor), as explained above. If the station is one of the four partial response stations, which means the station provides partial response in the AHU or “moves up and covers” direct response stations when mandated, the cost factor used is the 2.45 percent NRV Factor, also described above.

We find the County’s calculation of its one-time fire station replacement costs to be reasonable. First, the County only counts those stations located within the Area of Highest Use, and excludes replacement costs for sixteen stations that provide coverage to the AHU, but are not physically located within the area. The replacement cost estimate is

reasonable because the County used the average cost to construct a station in California in 2005, as reported by STK Architecture, Inc. Finally, the use of the two cost factors is reasonable for the reasons explained above.

Equipment. Butte County estimated its total Project-related costs for replacing equipment to be \$387,998. The County performed this calculation by: (1) estimating the total replacement needs, timelines, and costs for equipment at the stations that serve the Project, and (2) estimating the Project's portion of the costs based on the same two-tiered cost factors used above.

We find the County's calculation of its one-time fire station replacement costs to be reasonable. The County includes equipment that provides service to the Project area, which is appropriate, and the cost factors are reasonable for reasons described above.

Comments on the DEIS Estimate of Fire and Emergency Services Costs

The DEIS estimate for fire protection costs (which includes communications system costs discussed separately below) is \$353,820, of which only \$202,400 is attributed to visitors, compared to the \$393,267 estimated by the County using the methods described above. We find the DEIS estimate to be insufficient for a number of reasons. First, the DEIS does not use peak visitor demand, but as previously discussed, peak visitor demand is appropriate for costs such as these fire protection costs.

Additionally, the DEIS incorrectly characterizes the nature of the provision of fire protection services by the various jurisdictions. The DEIS accepts DWR's estimates for the cost to Butte County to provide fire protection services to the Project. DWR states that CDF has the primary responsibility for firefighting activities at the Project. In fact, CDF has primary responsibility only for responding to wildland fires occurring in the State-designated zone to the east of Highway 70, which traverses the County north-south. The County is the primary responder for all other fires in the unincorporated areas of the County, and also frequently is called upon to provide back-up assistance for calls in incorporated areas such as Oroville.

Finally, the approach used for the DEIS is based on formulae in the economic impact model discussed at length above. Unlike the County estimate, it is not based on the actual number of stations actually serving the Project area or their actual costs for operations, equipment and facility replacement.

C. Communications System Services

Butte County estimated its one-time Project-related costs for upgrading the communications infrastructure to be \$351,143. The County performed this calculation by: (1) estimating the cost of \$4,121,398 to upgrade the County's Communications System, based on an analysis of required system upgrade costs performed by MACRO

Corporation in April 2002, and (2) multiplying the total upgrade costs by the Non-Resident Visitor Use Within the Area of Highest Use Factor (NRV-AHU Factor), which as explained above, is the peak nonresident visitor population divided by the sum of the County population within the AHU and the peak non-resident visitor population.

We find that the County's calculation of its Project-related costs for communications system services is reasonable in that it is a common local government budgeting practice to determine capital facility replacement costs based on estimates from outside vendors who might perform the replacement project. The cost estimate was performed by MACRO Corporation in 2002. The application of the NRV-AHU Factor to the total anticipated costs is reasonable. Though the communications system would be used in an area greater than the AHU, County representatives report that many of the County's "black holes" (areas currently without radio system coverage), are within the eastern two-thirds of the County, which contains the Project Area.¹⁴

The County's estimate is understated in that it does not include any communications system operating expenses that the County will incur each year. Further, the estimate does not include a cost-escalator over time nor any amount for system replacement, which will be required approximately every 10 years, or four times over the 50 year length of the Project license period.

Comments on the DEIS Estimate of Communications Costs

The DEIS estimate for the communications costs is \$8,200 every year over 50 years, which it bases on the County's estimate of total upgrade costs applied to its lower estimate of non-resident visitors. For reasons stated above, we conclude that the County has ample justification for using a peak demand visitor population factor that takes into account spatial variation since much of the area that needs system upgrading is located in and around the Project Area.

D. Road Maintenance Services

Road Services to Arterial and Collector Roads. Butte County estimated its road services costs attributable to the project to be \$357,714 annually for maintenance costs to arterial and collector roads. The County performed this calculation by: (1) defining the Area of Highest Use (AHU) of the Project, which includes 293.56 miles of road, (2) estimating the maintenance cost per year for the roads in the AHU, which is \$4,198,519, (3) calculating the percent of the road activity that is attributable to nonresident visitors in the AHU by finding the ratio of the average peak non-resident visitor population to the total population within the AHU (NRV-AHU Factor), which is 8.52%, and (4) multiplying the annual costs to maintain the roads within the AHU by the NRV-AHU Factor to obtain the annual costs for road maintenance attributable to nonresident visitors in the AHU.

¹⁴ Communication with Shari McCracken, Butte County Deputy Administrative Officer, December 2006.

We find that the County's calculation of arterial and collector road maintenance to be reasonable. The use of the Area of Highest Use is reasonable because, as shown in Appendix A of *Operational Impacts of the Oroville Project Facilities on Butte County*, these are the main roads that visitors travel to reach the Project. The cost estimate of \$357,714 is reasonable because the estimate was prepared using known road maintenance cycles and actual current costs of the County's Department of Public Works incurred in the Area of Highest Use.

Upgrading Unpaved Roads. Butte County estimated its road services one-time costs of \$5,306,136 to upgrade 30.32 miles of unpaved roads that serve primarily as access roads to the Project Area and \$433,637 annually to maintain them once paved. The County calculated the one-time paving costs using an estimate provided by the County Public Works Department. The County calculated the annual maintenance cost by multiplying the 30.32 miles of unpaved road in question by \$14,302, the Public Works Department's estimated annual maintenance cost per mile of road.

We find the County's calculation of one-time costs and annual maintenance costs for unpaved roads to be reasonable and consistent with county budgeting practices. As reported by the County, should the paving be necessary, the entire one-time costs of this paving and the subsequent maintenance requirement costs, should be attributed to the Project because the unpaved roads in question do not lead anywhere except to the Project Area. The Public Works Department's estimate of the one-time and maintenance costs is reasonable for the same reasons described above.

Comments on the DEIS Estimate of Road Maintenance Costs

The DEIS estimated the road maintenance costs attributable to the Project to be \$200,480. However, the DEIS makes a very significant error in that it states that it must only consider road maintenance responsibilities on roads within the Project boundary, and those used exclusively for Project access. Therefore, the DEIS's approach is inconsistent with the appropriate standards of an Environmental Impact Statement, in which the charge is to assess the impacts of visitor travel independent of project boundaries. As a result the DEIS does not take into account the costs to maintain the full mileage of roads used by visitors to access the Project. This approach to the County's road maintenance costs is inconsistent with the DEIS's estimate of the costs of road maintenance in the City of Oroville, which is completely outside the Project area

The DEIS also does not support the County's estimate for upgrading and maintaining the unpaved roads leading exclusively to the Project, which appears to be inconsistent with the Environmental Impact Statement standards regarding indirect effects. Further, the DEIS accepts an errata document submitted by DWR, in which DWR reduced the number of miles in the maintenance estimate from 144 to 35 with no apparent explanation.

E. Emergency Operations Center

We find that the County's calculation of \$2,545,495 in one-time costs attributable to the construction of a new Emergency Operations Center to be reasonable. They are based on a preliminary assessment by the Butte County General Services Director in August of 2005, which includes estimated land acquisition, construction, and construction management costs that appear to be reasonable. This approach is also consistent with standard county facility construction budgeting practices.

Comments on the DEIS Estimate of Emergency Operations Costs

The DEIS does not include any estimate of costs related to the Emergency Operations Center in its assessment. Because much of the analysis related to this cost category has to do with the risk of flood events, and the appropriate attribution of this risk to the Project, we are not in a position to assess the validity of the need for the center's relocation. However, we note that, and as explained in more detail above, one of the purposes of an Environmental Impact Statement is to assess the costs and benefits of a proposed project and not necessarily to assume that existing costs and benefits will or should remain in place. The DEIS in many cost categories does not account for impacts on the County by allowing for new costs or marginal cost increases that will or should be incurred because of the Project. If a new Emergency Operations Center is in fact made necessary as a result of the presence of the Project, costs for the relocation should be attributed to the Project.

F. Health and Human Services

Butte County estimated its Health and Human Services costs attributable to the project to be \$1,837,983 annually. The County performed this calculation by: (1) calculating the County's share of all HHS expenditures (not including the Federal and State funds) in FY 2004-2005 to be \$36,759,669, and (2) multiplying the County's expenditures by an estimate of the County's population attributable to the Project, or 5%.

We find that the County's calculation of its HHS costs attributable to the Project to be reasonable. The primary logic underlying this calculation – that a significant portion of residents in Butte County can be attributed to the Project – is sound. This is supported by data showing how population levels grew significantly as a result of the Project's construction in the 1960's, and peaked at that time at a Project-related population of approximately 13.8 percent, according to a 1972 economic impact study of the Oroville Area by DWR¹⁵. That a significant portion of the County's population is Project-related is further corroborated by the fact that the population decreased only slightly after this peak, indicating that many workers and their families chose to remain in the area after construction ceased.

¹⁵ California Department of Water Resources, Economic Impact Study, Oroville Area, October 1972.

Therefore, we find the County's estimated percentage of the County's population attributable to the Project of 5 percent to be reasonable because it is based upon historical data and is sufficiently conservative. Applying the 5 percent estimate to the Butte County 2002 population of 214,119, this means that it is estimated that approximately 10,700 residents today are living in Butte County as a result of the Project's initial construction and/or ongoing operations. This figure seems reasonable, given the fact that the Project initially brought in a large population to the County and continues to do so.

Comments on the DEIS Estimate of Health and Human Services (HHS) Costs

The DEIS does not attribute any of the County's HHS costs to the Project. The DEIS dismisses all HHS costs, stating, "We do not find the County's statements to be persuasive in attributing any share of health and human services spending to the project, and do not include any cost for these services in our cost estimate."

There is ample support for the County's claims that the presence of the Project drives some HHS expenditures. Thousands of construction worker houses, which were available at very low cost after the completion of the Project, attracted low-income residents to Butte County. According to Butte County, the impacts of this effect continue today, with many of those former Project workers and those acquiring abandoned/low-cost construction housing, as well as their families, remaining in need of County Health and Human Services. Moreover, the jobs generated by the Project are often seasonal, part-time, and /or very low paying, thereby potentially causing residents who hold these jobs to rely on the County's HHS system to seek public benefits. Measures and studies point to the fact that Butte County's population is more economically depressed and dependent than regional, state, and national averages. For example, a higher than average (both state and national) percent of Butte County's population is living in poverty: 19.8 percent of Butte County's population is below the federally established poverty level.¹⁶

DWR data shows that the average income per job of the indirect population added from Project expenditures is \$19,000,¹⁷ and many of the individuals at this income level may qualify for HHS programs. This economic situation has a direct revenue impact on Butte County, in the form of lower per capita property and sales tax revenues generated by this population, as well as a direct cost impact, in the form of higher HHS expenditures.

The DEIS points out that there may be economic benefits for the County resulting from visitor-related and Operations and Maintenance (O&M) spending. The DEIS cites the benefits calculated by the DWR economic model, including an estimated 1,053 jobs and \$25.8 million in earnings. Because of these beneficial economic effects, goes the DEIS logic, the Project therefore should not have to share in the HHS costs of the County. The

¹⁶ United States Census, 2000.

¹⁷ This is arrived at by dividing the total earnings generated by recreation-related spending (\$10,600) by the number of recreation spending-induced jobs (555), as shown in DWR's May 2004 Fiscal Impact report for Oroville Facilities Relicensing (R-19).

DEIS does not explain how the negative direct revenue impacts of the Project are mitigated by the economic activity attributed to it. Noting the presence of economic activity alone does not constitute a full analysis of the issue.

Further, we note that any major private employer or institution in unincorporated Butte County generates significant economic activity as well, but still makes direct payments to the County in the form of property tax, other fees and charges and sales tax revenues that directly help support the County's costs of operations, including HHS. The Project is a population driver in the County, however it is not paying a share of the County's HHS costs, as would any other major employer or institution located in Butte County.

G. Revenues

The County estimates its Project-related revenues to be \$297,487 in Sales Taxes and \$9,185 in Transient Occupancy Taxes. We find these calculations to be reasonable because: (a) the Sales Tax revenues were determined by Hinderliter de Llamas and Associates, the company the County contracts with for this service, (b) the Sales and Transient Occupancy Tax revenues are limited to those generated within the Primary Tourist Lodging and Purchases Area, which has a similar boundary as the Area of Highest Use and is justifiable for the same reasons, and (c) only includes revenues that are directly driven by non-resident visitors.

The DEIS included \$969,300 in its assessment of Butte County revenues attributable to the Project. This total includes indirect revenues generated by visitors as well as County residents attributable to the Project. As with much of the expenditure discussion, the DEIS approach relies on the economic model's formulaic approach and not on the actual experience and data available through the County. The County's approach, in which actual revenues are calculated directly, instead of being backed into through a reliance on many assumptions and input variables, is more appropriate for the fiscal analysis at hand.

H. Adjusting Impact Estimates for Future Changes

Butte County does not include projections of its future costs and revenues in its report estimating the operational impacts on the County of the Oroville Project Facilities. However, in Attachment B to its *Report*, the County does discuss the possibility of using a Consumer Price Index-based adjustment mechanism and/or a measure of non-resident population growth to adjust for future changes in fiscal impacts. The DEIS does not address this issue. Its estimates of current fiscal impacts are based on estimated current visitor population to the Project and estimated County population resulting from the Project being in Butte County.

The Department of Water Resources' fiscal impacts report that supports many of the DEIS conclusions¹⁸ includes estimates of the Project's fiscal impacts on the County in the year 2020 based on a projected increase in non-resident visitors to the Project. The growth related component in the current estimates is not included in the long term projections in this DWR report.

For updating the County's fiscal impacts over time, a cost of living adjustment is needed as well as projections of the County and non-resident visitor populations. Like other counties, non-resident and resident population change is a factor. However, Butte County salaries, benefits and other costs are likely to be increased in the future based on changes in the cost of living independent of changes in resident and non-resident population.

¹⁸ *Fiscal Impacts Final R-19*, Oroville Facilities Relicensing FERC Project No. 2100, State of California, Department of Water Resources, May 2004

V. Conclusions

We find the Butte County's approach to calculating its costs attributable to the Oroville Project Facilities to be, on the whole, reasonable, defensible, and appropriately executed. Butte County based its estimates of its Project-related costs on actual County expenditures when available and appropriate, and provided sufficiently justifiable estimates for current or future expenses when actual County expenditure data were unavailable.

We find the County's use of peak visitor demand, as opposed to average visitor demand, to be appropriate, given (a) the nature of the many of the Project-related costs incurred by the County being the result of personnel, equipment, and other costs which cannot be scaled back during non-peak season, (b) that the County cannot "staff up" and use existing staff and overtime to cover the demonstrated additional need during peak season, and (c) Project-driven law enforcement demands placed on certain service areas, such as the Butte County Sheriff's Department, do not drop during the non-peak season commensurate with the drop in visitorship. Further, we find the County's methods of using recreation days and defining an Area of Highest Use in allocating Project-related costs to be reasonable.


The DEIS assessment of the Project's economic impact on Butte County relies primarily on DWR's input-output economic model, which we find lacking for a number of reasons: (a) questions have been raised and documented in other assessments about the reliability of the input data, thereby placing a number of the outputs in question as well, (b) the model relies on many more assumptions and variables than the Butte County approach, and therefore introduces more uncertainty into cost calculations, rather than directly attempting to estimate the County's costs through available expenditure data, and (d) the model does not take into account the non-linear manner in which county budgets are constructed and costs incurred.

We find that the DEIS assessment of the Project's economic impact on Butte County contains deficiencies, including: (a) dismissal of Butte County's cost estimates in which peak visitor demand is used, (b) characterization of how the various agencies and jurisdictions interact in their provision of services to Project visitors do not fully account for the level of service provided by Butte County, (c) reliance on estimates of general economic activity generated by the Project and related indirect economic benefits as arguments to offset actual costs incurred by the County related to the Project, (d) citing economic benefits that primarily only impact incorporated jurisdictions within Butte County as evidence of the Project's benefits to Butte County, (e) it uses different standards for its analyses of the costs of different public service areas, and (f) it draws conclusions on a number of occasions, often ones not favorable to Butte County's position, without the presentation of sufficient explanation or justification.

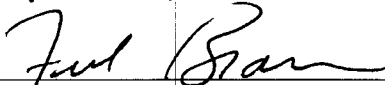
Therefore, given the general reasonableness of Butte County's approach, contrasted with the deficiencies of the DEIS assessment, we conclude that the fiscal impacts of the


Oroville Facilities Project on Butte County are better captured by the estimates prepared by Butte County.

DATED this 15 day of December, 2006.


Fred Brousseau

SUBSCRIBED and SWORN to before me this ___ day of December, 2006 by
Brousseau.

Fred Brousseau

Print Name: Fred Brousseau
Notary Public in and for the State of
California, residing in San Francisco
My commission expires: 12/26/06

SAN FRANCISCO
SUBSCRIBED AND SWORN TO BEFORE ME
THIS 15 DAY OF DEC, 2006
BY Fred Brousseau

NOTARY PUBLIC

