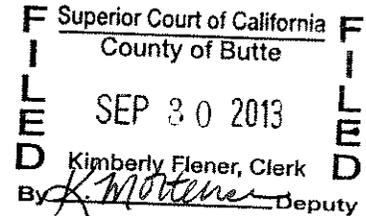




OFFICE OF THE
MAYOR

411 Main Street (530) 896-7250
P.O. Box 3420 Fax (530) 895-4825
Chico, CA 95927 <http://www.ci.chico.ca.us>



September 3, 2013

Honorable Stephen E. Benson
Presiding Judge
Butte County Superior Court
One Court Street
Oroville, CA 95965

Re: FY 2012/13 Butte County Grand Jury Report, City of Chico Responses

Dear Judge Benson:

The Chico City Council has reviewed the 2012-2013 Grand Jury final report, and is providing this response pursuant to Penal Code Section 933.

FINDINGS:

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

Response: Agree

The City of Chico, similar to all cities in California, relies primarily upon sales and use taxes and property taxes for unrestricted general fund revenues. Over the past six years the City of Chico has experienced declining sales tax revenues as a result of the global economic recession, declining property tax revenues as a result of the housing market crash and property value reassessments.

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

Response: Agree.

The City of Chico agrees with this finding. In September 2012 the City of Chico selected a new city manager, who then recruited and filled vacated executive positions with highly qualified personnel. Shortly thereafter, a major restructuring effort was undertaken, primarily to reduce the number of departments and streamline the City's organizational structure. The outcome resulted in the elimination of six departments and the City consolidated into five core departments under the city manager's authority, which include police, fire, administrative services, community development and public works.



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

Response: Agree

The RDA dissolution was not without confusion or difficulty and some members of the City Council recognized potential consequences of a slow response, but were unable to improve the responsiveness of City staff to this issue.

- F7 City management provided the Grand Jury with some financial data that was outdated, incomplete and misleading.**

Response: Agree

The City of Chico has taken a variety of corrective actions in this area. Please also refer to responses F5 and R2.

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

Response: Agree.

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

The City of Chico implemented this recommendation. The City of Chico at its June 2013 City Council budget work session recommended several budget policy modifications to insure transparency and accountability. The budget policy revisions were approved by the City Council and are included in the City's adopted budget document. At any time the City Council may modify existing budget policies to insure further financial transparency. Additionally, City staff shall be providing monthly financial statements and cash balances to the City Council for public review and comment.

Additionally, the City Council asked the voters in November 2012 to make the City Clerk responsible to the City Council in order to improve transparency, assure timely access to information by the City Council, and to limit the concentration of power in any one charter officer.

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

The City has implemented this recommendation. The City's reorganization from eleven departments to five has occurred and the City will evaluate the effectiveness of that reorganization and whether further organizational changes are needed on an ongoing basis.

Recently, the City Council began a review of its various committees, boards, and commissions to improve efficiencies. The City is also in the process of implementation of technology that will improve public access and feedback of meeting agendas.

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

The City is working to implement this recommendation. The city implemented approximately \$4.8 million in reductions to stabilize annual operations and to achieve a true structural balance of revenues and expenses. With the adoption of the budget the City Council adopted budget policies which call for the dedication of additional future revenues to reduce current deficits and to restore numerous depleted reserve funds. The City intends to address the outstanding deficits with these policies over a ten year period. Additionally, the City has engaged the services of an audit firm that will provide additional recommendations for consideration.

~~~~~

It is the Chico City Council and staff's desire to appropriately address the Butte County Grand Jury's findings and recommendations as related to its FY 2012/13 Annual Report. To reiterate, the City of Chico is committed to organizational transparency and accurately reporting facts. The matters raised by the Butte County Grand Jury are consistent with the concerns of the Chico City Council and appreciated in light of the challenges that the organization faces. If additional information and clarification is necessary, the City will be more than pleased to respond further.

The City Council wishes to thank the Butte County Grand Jury for its commitment to ensuring oversight of the City of Chico's government activities and evaluating and providing input on the manner in which our government operates so it best serves the needs of our citizens. It is our mission to accept the Grand Jury's report, reflect upon comments received and put into place improvements to insure efficient and effective governance.

Yours truly,



Scott Gruendl, Mayor  
Mark Sorensen, Vice Mayor  
Mary Goloff, Council Member  
Sean Morgan, Council Member  
Tami Ritter, Council Member  
Ann Schwab, Council Member  
Randall Stone, Council Member

Cc: Brian S. Nakamura, City Manager  
Lori Barker, City Attorney  
Chris Constantin, Administrative Services Director  
Deborah Presson, City Clerk