

**MEMORANDUM  
LOCAL AGENCY FORMATION COMMISSION**

**TO:** Local Agency Formation Commission

**FROM:** Stephen Lucas, Executive Officer

**SUBJECT:** **Agenda Item 4.3 - Paradise Irrigation District Options Study**

**DATE:** August 25, 2021 for the meeting of September 2, 2021

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Summary

Following the 2018 Camp Fire, the Paradise Irrigation District (PID) suffered a near total loss of its customer base and suffered extreme damage to its infrastructure. Subsequently, the State Department of Finance (DOF) provided the PID substantial gap funding in order to remain viable while other revenue sources and fire claims were realized. The funding was tied to PID supporting an Options Study that was intended to identify various options for the PID to gain financial stability.

The DOF enlisted the State Water Resources Control Board (SWB) to manage the Study and the take the lead. The SWB enlisted the Sacramento State University, Office of Water Programs (CSUS-OWP) to manage the Options Study for the PID. A stakeholder group was identified to assist in the Study, including LAFCo, and meets regularly to discuss the process and the path forward. CSUS-OWP selected GEI Consultants, Inc. to prepare the Options Study. Work continues with an anticipated completion date of November 2021.

To date, possible options for the PID recovery include but are limited to:

- PID merging with the Town of Paradise as a subsidiary district;
- Reorganizing with another public or private water purveyor;
- Expanding the District's customer base (Miocene residents, Butte Valley, Chico);
- Temporary raw water transfers;
- Chico treated water intertie;
- New businesses (bottled water, hydro power, fisheries help);
- Partnership with the Town to operate the proposed sewer system; and
- Rate increases.

**Current Status**

Most recently (August 12, 2021), GEI Consultants provided the Stakeholder group an outline of the Study (Attachment 1) components for review and comments. LAFCo Staff provided verbal comments on the Zoom meeting, but felt our repeated comments were not clearly and effectively received by the Consultants or the CSUS/OWP staff. We subsequently provided our comments in writing (Attachment 2) to the Consultants and the extended Stakeholder Group on August 17, 2021. The comments were welcomed by PID as representing the collective concerns of the Stakeholder group related to local control. LAFCo Staff has expressed the concerns in our letter for months now and we are not confident the Consultants are equally concerned as the Stakeholder Group.

**ACTION REQUESTED:** Receive report and provide any direction to staff.

Attachments: 1. Options Study Overview  
2. LAFCO August 17, 2021 letter to Consultants



**(NOTE: Slides below show LAFCo edits in red underline.)**

### Agenda

- Study Goal and Objectives
- Opportunities
- Constraints
- Preliminary Options
- Evaluation Criteria

### Study Goal

Formulate and evaluate options that both provides **short-term** and **long-term** sustainability of water supply for the Community of Paradise and maintain local government control of all study outcomes.

### Study Objectives

- Water Supply Reliability
- Safe and Affordable Drinking Water
- Support Community Redevelopment
- Maintain Local Control of Resource

### Opportunities

- Excess Surface Water/ Water Transfers: *In-lieu Groundwater Recharge*
- Environmental Benefits: *Fish passage in Butte Creek*
- Infrastructure Availability: *Miocene Canal*
- Water Resiliency
- Fire Prevention/Protection

## Constraints

- Rate of Growth
- PID infrastructure improvements
- Magalia Dam improvements
- Drought water supply options
- Finances
- Time
- Affordability
- Political will

## OPTIONS IDENTIFICATION

### Options Categories

1. Baseline
2. No Project
3. Financial Claims
4. ~~Consolidation~~ Reorganizations
5. Water Transfers
6. Infrastructure
7. Funding Augmentation
8. Others

### Baseline

- Rebuild to pre-Camp Fire conditions
- 2018: Operations Expense -\$5M  
Revenue -\$8.5M
- 2020: Operations Expense -\$5.5M  
Revenue -\$3.5M

### No Project

- Do Nothing: *No Claims, No Projects*

### Financial Claims

- PG&E: \$270 million (approx.)
- FEMA Funding: \$80.3 million estimated
- Insurance Reimbursement \$5.8 million estimated
- ASADRA: Additional Supplemental Appropriation for Disaster Relief Act

### ~~Consolidation~~ Reorganization

- PID ~~consolidated into~~ Reorganized with:
  - Town of Paradise
  - SFWPA
- Into PID
  - Del Oro
  - Lime Saddle
  - Paradise Pines
  - Magalia

## Water Transfers

- Water Available: *3,000 to 5,000 acre-feet/year*
- In County (Butte): *City of Chico or other agencies*  
~~North of the Delta: *Out of County but north of the Delta*~~  
~~South of the Delta: *Higher Demand*~~

## Infrastructure

- Miocene Canal: *Currently owned by PG&E and Cal Water*
- Chico Intertie: *Sell excess supplies to Chico, Treated water from Magalia WTP*
- Magalia Dam raise

## Funding Augmentation

- Increase Water Rates:  
*Increase current flat-rate charged to PID customers, or  
Increase the unit price of water, done in tandem with the metering*
- Assessment on benefactor properties: *Would require majority voter approval*
- Impose new tax: *Would require two-thirds voter approval*
- Grants
- Financial Loan
- SWRCB Funding Assistance

## Others

- Paradise Sewer Project *PID takes over sewer operations*
- Metering
- Water Bottling
- Voluntary Agreements

## Options Summary

Baseline	No Project	Financial Claims	Consolidation	Water Transfers	Infrastructure	Funding Augmentation	Others
Rebuild to pre-Camp Fire conditions	Do Nothing	PG&E  FEMA funding  Insurance Reimbursement  ASADRA	PID into – • Town of Paradise • SFWPA  Into PID – • Del Oro	In County (Butte)  North of Delta  South of Delta	Miocene Canal  Chico Intertie  Magalia Dam Raise	Rate increases  Assessments  Taxes  Grants  Financial loan  SWRCB Funding Assistance	Paradise Sewer Project  Metering  Water bottling  Voluntary agreements

## **EVALUATION CRITERIA**

- Technical Feasibility Can they be implemented using current engineering practices?
- Economic Feasibility:
  - Cost: *Capital, Lifecycle*
  - Do the benefits exceed the costs?
  - Affordability
- Financial Feasibility
  - Is there enough capital from the beneficiaries to pay, or is there other funding available?
- Regulatory Feasibility
  - How readily can the alternative meet regulatory (permitting, CEQA) requirements?
- Legal
  - Are there legal obstacles (e.g., water rights modifications)?
- Stakeholder/Public Acceptance
  - Does the alternative garner support from ratepayers, or those who would be impacted?
  - Is there political support at the local, state, federal level if needed?
- Implementation Timeline
  - Can the alternative be readily implemented in a timeframe that meets the goal and objectives?
- Maintains Local Government Control
- Technical
- Economical
- Financial
- Regulatory
- Legal
- Stakeholder/Public Acceptance
- Implementation Timeline

## **Feedback/Confirmation**

- Preliminary Options
  - Confirm list, Screen/eliminate any options
- Evaluation Criteria
- Due Date – Aug 19, 2021

## **GEI Next Steps**

- Report/TM –  
Options Identification Report
- Refine and Screen Preliminary Options
- Options Evaluation
- Options Study Report, including ranked options

## **Timeline**

- Feedback Due Date – August 19, 2021
- Report/TM – Options Identification
  - Draft – September 2, 2021
  - Review/Feedback – September 9, 2021
  - Final – September 16, 2021
- Public Meeting - Week of September 20, 2021




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## BUTTE LOCAL AGENCY FORMATION COMMISSION

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August 17, 2021

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Re: Paradise Irrigation District Options Study

Gentlemen:

Please accept these brief comments concerning the development of the Paradise Irrigation District Options Study being guided by the Sacramento State Office of Water Projects and drafted by GEI Consultants. These are not new comments, but rather a reminder of the concerns/observations I have consistently shared with group throughout the Options Study development. Most recently I shared comments with the Stakeholder group at the August 12, 2021 Stakeholder zoom meeting as we discussed the PID Options Identification slide presentation by GEI Consultants and OWP staff. I will refer to individual slides from that presentation (attached).

### **Slide 3 – Study Goal – Observation/Requested Edits**

*“Formulate and evaluate options that provides short-term and long-term sustainability of water supply for the Community of Paradise- and maintain local government control of all study outcomes.”*

It is vitally important to most if not all stakeholders that any eventual outcome of the Options Study be solely determined by the affected local agencies and not be imposed, directed, or unduly influenced by state agencies or departments. By allowing local agencies to determine the outcomes of the Options Study, the affected general public can be assured that the outcomes are transparent and public involvement is encouraged.

### **Slide 4 – Study Objectives – Observation/Requested Edits**

*Water Supply Reliability, Safe and Affordable Drinking Water, Support Community Redevelopment, Maintain Local Control of Water Resources*

For similar reasons stated above, the addition of maintaining local control of water resources is essential if the outcomes are to be trusted and accepted by the current service recipients and the general public.

### **Slide 5 – Opportunities – Observation/Requested Edits**

*~~Excess~~ Surface Water/ Water Transfers- In-lieu Groundwater Recharge; Environmental Benefits-Fish passage in Butte Creek; Infrastructure Availability-Miocene Canal; Water Resiliency; Fire Prevention/Protection; Meters.*

Using the word “Excess” (*beyond what is required, overindulgence, exceeding what is usual, necessary or proper*) to describe locally controlled water resources is very disturbing as it implies that

the PID has no reasonable, beneficial use for its “excess” water, that somehow it’s too much. As with most water agencies, the use of allocated water rights are fluid based on demand, growth projections and unpredictable circumstances.

**Slide 8 – Options Categories – Observation/Requested Changes**

1. *Baseline*; 2. *No Project*; 3. *Financial Claims*; 4. ~~*Consolidation*~~; *Reorganizations*; 5. *Water Transfers*; 6. *Infrastructure*; 7. *Funding*; *Augmentation*.

This observation is more technical in nature as it relates to legal terms in state law. The services, functions and boundaries of local agencies such as special districts are subject to the oversight of the Butte Local Agency Formation Commission (LAFCo) which is authorized by the Cortese Knox Hertzberg Local Government Reorganization (CKH)(GC56000). The CKH Act allows for multiple ways in which local agencies such as PID can alter their services/functions, alter their boundaries and organize their governance. These alterations are legally referred to as “*changes of organization*” when done individually or “*reorganizations*” when there are multiple changes of organization. A “*consolidation*” is just one of many possible changes of organization and has a very specific regulatory scheme, so to use the term consolidation is very misleading. Furthermore, the term consolidation has a direct relationship to the language found in the Water Code as it relates to actions that can be taken by the State Water Board to force local water agencies to reorganize with other local public or private agencies without local consent or local LAFCo review and approval. Based on all the local input that I have heard, I would think that the Options Study stakeholders group and the OWP would purposefully distance themselves from the term consolidation.

**Slide 12 – Consolidation Reorganizations – Observation/Requested Changes**


~~*PID consolidated into*~~ *Reorganized with* - *Town of Paradise- SFWPA; Into PID - Del Oro-Lime Saddle-Paradise Pines-Magalia.*

This observation/request is similar to Slide 8 discussed above. In addition, under LAFCo law (CKH), there are numerous methods to reorganize local agencies available to LAFCo to locally resolve issues and support the most efficient and practical use of local resources and promote effective governance models.

**Slide 12 – Evaluation Criteria – Observation/Requested Changes**

*Maintains Local Government Control*; *Technical*; *Economical*; *Financial*; *Regulatory*; *Legal*; *Stakeholder/Public Acceptance*; *Implementation Timeline*.

Consistent with all observations discussed above, it seems obvious that one critical criteria of the Options Study should be maintaining local government control. The failure to list this as a significant criteria will only serve to fuel speculation that any Options Study outcomes are predetermined and will not include local government decision making over our water resources.

Sincerely,  
  
Stephen Lucas  
Executive Officer

cc: LAFCO  
PID Options Study Stakeholder Group