

M E M O R A N D U M

TO: Local Agency Formation Commission

FROM: Stephen Lucas, Executive Officer

SUBJECT: **Agenda Item 6.1 - Executive Officer's Report**

DATE: October 25, 2022 for the meeting of November 3, 2022

ADMINISTRATION:

County Administrative staff has informed Staff that it will unilaterally terminate human resources services from our current Contractual Services Agreement effective February 23, 2023. This course of action was determined by County staff without the review or consent of the Board of Supervisors who approved the Agreement in 20001/2007/2013. The Agreement addresses the larger government to government relationship desired by the agencies and includes costs and services provided by the County. The County shifted to a new organizational platform called Workday in December 2021 which resulted in issues with LAFCo contracted payroll services. The County Human Resources Department has proposed a very substantial increase (400%) in their costs for payroll services which Staff believes is inconsistent with the overall purposes of the Agreement. Staff met with the County Administrative Officer on August 25, and Human Resources staff on September 22, 2022, to better understand the issue at hand. **NEW** The LAFCo Chair and EO met with the County CAO on October 14, 2022, at which the CAO agreed to rescind the termination of HR services and explore ways that Workday can be modified to treat LAFCo as a department within the County as required by the LAFCo/County Agreement. Additional discussions will be necessary.

PROJECT/GENERAL NOTES:

The following issues/proposals are at various stages of being reviewed, discussed and/or considered.

- ***El Medio Fire Protection District*** –The District Board met on November 11, 2020 and unilaterally decided to “shut the doors” and lay-off its employees effective Dec 25, 2020, at which time the District functionally ceased to provide its empowered services. As directed by the Commission, Staff has engaged all parties to explore the issues at hand and the options available for District viability. Staff attended the District’s September 14, 2022, meeting, at which the District reiterated its intention to dissolve as no other options are feasible. The District held a meeting on October 3, 2022, and adopted a resolution of application to dissolve. The District submitted its application for dissolution on October 14, 2022. **NEW** Staff is processing the proposal and anticipates holding a public hearing on December 1, 2022, to consider the dissolution.
- ***Town of Paradise/City of Chico Sewer Line*** – The Town of Paradise has explored options to provide wastewater treatment services to its existing commercial land uses that are limited from expanding due to sewage disposal constraints. The selected option is to convey the Town cores’ wastewater directly to the City of Chico’s Water Pollution Control Plant. This alternative would represent an extension of services (GC56133) by the City of Chico outside of its jurisdictional and sphere of influence boundaries requiring LAFCo approval. The *Paradise Sewer Regionalization Project Advisory Committee* consisting of 2 councilmembers each from the Town of Paradise and City of Chico and guided by State Water Board staff are evaluating the proposal as it proceeds. The Committee’s efforts can be tracked at <https://paradisesewer.com>. City of Chico and Town engineering staff continue to develop a sewer agreement that will be the backbone of the proposal. Most of the discussion to date has involved logistics and expectations for the project. Projected costs are estimated to be approximately \$184 million: \$2M for environmental studies, \$ 30M for design and right-of-way acquisition, \$152M for construction. The Town released a Notice of Preparation (NOP) for the Environmental Impact Report (EIR) and Staff prepared and submitted NOP comments on May 20, 2022, with the comments period closing August 29, 2022. LAFCo Staff attended the scoping meetings held in both Chico and Paradise on August 8th and 10th, and observed reasonable attendance. **NEW**

The Town Council is expected to consider adoption of the EIR at its November 7, 2022, meeting and then begin the process of completing an application to LAFCo for consideration of the service extension from the City of Chico.

- ***Drainage/Reclamation District MSR Actions*** – The Drainage and Reclamation Districts MSR/SOI Plan adopted in 2018 called for a number of possible reorganizations among drainage districts. Staff has met with district staff and initiated a process to consider the dissolution of Drainage District No. 2 as it is completely overlaid by Butte Creek Drainage District and the detachment of territory from Butte Creek Drainage District that is overlaid with District 100. These actions will have no impact to current services, but will rather clean-up old boundaries that no longer make sense. **NEW** Staff is to attend the Drainage District No. 2 Board meeting on November 2, 2022, at which the Board is expected to initiate the District dissolution.
- ***Gridley-Biggs Area of Concern*** – LAFCo adopted the Gridley-Biggs Area of Concern (AOC) in 2004 in response to increased development opportunities that existed between the Cities of Biggs and Gridley. It was agreed by all affected agencies that the AOC would be the growth area for each city moving forward in order to reduce development pressure on substantial agricultural lands bordering the cities and AOC. This was also supported by the Butte County Farm Bureau as well. Recently, development interest has returned to both cities and this has created a great opportunity for the affected agencies to renew their efforts to plan the AOC in such a way that:
 - maximizes density (rooftops!)
 - establishes efficient service patterns for the cooperating cities and special districts
 - creates adequate and effective agricultural buffers to reduce agricultural impactsStaff is coordinating the discussions between stakeholder agencies.
- ***Paradise Irrigation District/Options Study - Financial Recovery*** – The State Water Resources Control Board (SWRCB) in cooperation with Sacramento State University, Office of Water Programs (CSUS-OWP) and GEI Consultants, has completed the [Final Options Study](#) for the Paradise Irrigation District (PID). As noted throughout this Study, the purpose of the Study is not to select for implementation the “best” option, but rather provide information to facilitate discussions amongst the Town of Paradise, PID and other stakeholders in the process of selecting and implementing projects and actions to ensure a sustainable water supply for the Town of Paradise. The PID Board formally accepted the [Study](#) at its August 17, 2022, meeting. The single greatest factor in the Study’s outcome was the receipt of \$189 million in May 2022 from the PG&E Fire Victim Trust Claim. PID reports that this money will allow the District to manage its current operational needs for 15-20 years while the population recovers. With the Study’s completion, PID is now working with Staff to prepare an update of the PID’s Municipal Service Review (MSR).
- ***County of Butte – General Updates*** - The County is currently undertaking the following notable planning efforts:

[General Plan 2040 Update](#) -The General Plan establishes the community’s long-term vision for the future, including where people in Butte County will live, work, shop, learn, and recreate. It will shape future housing, support job growth, foster healthy and resilient neighborhoods, protect and manage natural resources and agricultural lands, ensure community safety, and promote social and economic equity.

[Tuscan Ridge Planned Development \(PUD21-0001\)](#) - The proposed project would include subdivision of the project site to develop a total of 165 single-family residential lots. The lots would range in size from 4,000 square feet (sf) to 40,000 sf. The proposed project would additionally include commercial development occupying approximately 31 acres of the project site, including approximately four acres for improved buildings and parking and approximately 27 acres for mini storage units (53,000 square feet) and outdoor RV and boat storage. The 163 acre site on the south side of Skyway about 3 miles west of Paradise and 4 miles east of Chico which was used as staging area for Camp Fire workers in 2018/19 and was previously the former Tuscan Ridge Golf Course. The site is to be served by an existing on-site well for domestic water and an existing permitted on-site wastewater treatment system, both of which were initially proposed to be managed by a newly formed Community Service District (CSD) that would require LAFCo approval. Given the issues related to a conceptual potable water pipeline and sewer line to Chico along the Skyway, this proposal does cause concerns related

to service provisions, growth inducement and logical/orderly development patterns. The County now indicates that the sewage disposal and potable water systems could be maintained and operated under a contractual agreement with the Paradise Irrigation District (PID) which may or may not cause the PID to initiate annexation of the site which is currently not contiguous to the PID boundaries. The County has released a Notice of Preparation for the Environmental Impact Report on February 23, 2022. The updated project description indicates the PID will annex the territory and maintain the water and sewer systems on-site. Staff has provided initial observations to the project consultant. The issue of greatest importance to LAFCo staff at this time is the proposed expansion of the PID powers and service area expansion and the District is in need of an updated MSR/SOI. This issue is further complicated by the fact that the Town of Paradise has not yet updated its 1994 General Plan and therefore, LAFCo and PID do not have the benefit of post Camp Fire land use plan with associated infrastructure requirements and demands. The project remains in incomplete status.

- **City of Biggs – Annexation Plan** – The City of Biggs has developed a long range annexation plan that is anticipated to occur in three phases and be driven by market demand for new homes. City staff have worked very cooperatively with LAFCo staff during this process. Staff had a pre-application consultation with Biggs planning staff in April to discuss Phase 1 of the Plan, an approximately 70 acre area which include Biggs School Property on the east boundary of the City. An application is anticipated shortly.
- **City of Chico – Valleys Edge Specific Plan** - The City of Chico is currently processing the Public Review Draft Valley's Edge Specific Plan (VESP) related Draft Environmental Impact Report (EIR) which can be found on the City's website at <https://chico.ca.us/valleys-edge-specific-plan>. The City of Chico 2030 General Plan (GP 2030) provides a comprehensive and long-range framework for the growth of Chico and identified five new growth areas, designated Special Planning Areas (SPA), which are to be developed as connected and complete neighborhoods with a mix of housing types, services, employment, and shopping opportunities, along with parks and open space. The VESP is the blueprint for the planning area within the 1,448 acres identified in the Chico General Plan as the Doe Mill/Honey Run Special Planning Area (SPA). Valley's Edge is characterized as a multi-generational, mixed-use, recreationally-oriented community offering a broad range of housing types, lifestyles and amenities framed by natural open space corridors and served by a vibrant Village Core providing the commercial services and social hub of the community. The VESP territory was placed in the City of Chico Sphere of Influence in 2013 and will require an annexation application to LAFCo in order to proceed.
- **Lake Oroville Area Public Utility District - Palermo Sewer Project** – This is a decades long effort to bring sanitary sewer services to the residents of the Palermo community. LOAPUD is re-initiating its efforts with the preparation of an updated study to consider the technical and fiscal issues in the path to a solution. The LAFCo role will be to monitor the process and ultimately consider the annexation of the Palermo area into the LOAPUD.
- **Oroville Region Sewer and Water Service Providers MSR** - The State Department of Housing and Community Development (HCD) has awarded a \$100,000 SB2 Planning Grant to Butte County to contract with LAFCo for the development of a MSR update for backbone service providers in the Oroville region, including the SFWPA, LOAPUD, TWSD and SCOR. LAFCo entered into an Agreement with SWALE Inc. to conduct the study and prepare the documents. A kick-off meeting was held on March 17, 2021 with all the affected Districts staff. The final MSR is expected to be released for public review in winter 2022/23.
- **City of Gridley MSR/SOI Update** – The City has expressed an interest in updating its MSR and SOI Plan in anticipation of new development proposals being considered. Staff anticipates that the City and LAFCo may enter into a Letter Agreement to conduct this effort, similar to agreements with the City of Chico and City of Oroville.
- **Thermalito Sewer and Water District** - Sphere of Influence Amendment and Annexation of the state owned clay pits recreation area southeast of the Oroville airport along Larkin Road. The State has yet to resolve a conflict between the State Parks Department and Department of Fish and Wildlife who share authority over the affected territory.

- **City of Oroville MSR Update** – The City of Oroville is starting the process to evaluate its growth goals and has determined that the City needs to update its SOI to accommodate new development goals and at the same time update its MSR to reflect its current service capabilities and financial position. The City has requested LAFCo update its MSR at City expense and executed a Letter Agreement with LAFCo to prepare the MSR update. The City has entered into a contract with Policy Consulting Associates to complete the project under LAFCo supervision. The administrative draft is under review.

CALAFCO:

- Commissioner Connelly, Legal Counsel, the Executive Officer and Deputy Executive Officer attended the [CALAFCO Annual Conference](#) October 19-21, 2022. The EO and Chair were panelists for the [general session](#) discussing municipal service reviews and the changes brought about by Senate Bill 939 concerning changes to protest thresholds. There was also a recognition for former commissioner Carl Leverenz who passed this year.
- The CALAFCO Annual Awards were presented at the Conference. The EO received a special recognition for being a member of the Working Group that endured 5 years and a pandemic to successfully negotiate on behalf of CALAFCO to craft legislation (SB939) that provided for LAFCo initiated dissolutions to be treated with the same protest thresholds (25%) as all other applicants.
- The CALAFCO Board of Directors selected Commissioner/Supervisor Connelly to be the next CALAFCO Chair of the Board.
- The CALAFCO Board of Directors also appointed the Chair and EO to the CALAFCO Legislative Committee for the 2023 legislative session.
- The Journal of the CALAFCO – [The Sphere 2022](#) was also released at the Conference and is available for viewing [here](#).

LEGISLATION: None

APPLICATION ACTIVITY:

Project Status As of October 25, 2022

File	Applicant	Project Name	Date Application Received	Certificate of Filing	LAFCO Hearing Date	Certificate of Completion	SBE Submittal Date	Additional Comments
11-06	Butte County	CSA No. 114 - Expansion of Powers	02/02/11	N/A	pending	N/A	N/A	Incomplete - On Hold
18-09	TWSD	Clay Pit State Recreation Area Annexation						On hold. Incomplete Application
19-12	County	CSA 158 - Mandville Park Subd. Annex	05/02/19	05/29/19	10/03/19			Approved w/ conditions - 218 Hearing
20-08	Oroville	Municipal Service Review Update (MSR)	05/20/20	N/A				In progress
20-09	LAFCO	Oroville Region Sewer & Water MSR	N/A	N/A				In progress
21-06	Landowners	Tuscan Water District Formation	02/22/21	10/01/21	12/02/21			Approved - waiting on election
22-10	Gridley	W Biggs-Gridley Rd Annexation No. 3	03/28/22	05/16/22				In progress
23-02	Chico	El Monte Ave Annex. No. 1	08/16/22	09/08/22	11/03/22			In progress
23-03	Chico	Chico Canyon Annex. No. 8	08/16/22	09/08/22				In progress
23-04	Chico	W Sacramento Ave Annex No. 31	08/16/22	09/08/22	10/06/22			In progress
23-05	Chico	W East Ave Annex. No 1	08/16/22	09/08/22	10/06/22			In progress
23-06	El Medio	El Medio Dissolution	10/14/22	pending	12/01/22			In progress