

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: February 23, 2022 for the meeting of March 3, 2022

ADMINISTRATION:

1. Our Management Analyst retired effective December 30, 2022, but has agreed to return to LAFCo in the current role as a part-time employee under the CalPERS retired annuitant program.
2. Our Commission Clerk anticipates retiring effective April 29, 2022.
3. Staff has recruited for the position of Commission Clerk and conducted interviews on February 24, 2022. It is our desire to have selected a new Clerk sometime in March to allow some overlap of positions for training opportunities. The recruiting process has been illustrative of a tight employment market that has caused the Executive Officer to consider possible reorganizations of current LAFCo roles and responsibilities to better stage the agency to meet future challenges. This can be discussed further with the Budget Committee in the coming months.
4. County staff has initiated a discussion with LAFCo Staff about possible changes to our now 13 year old Contractual Services Agreement with the County. Most notably, the County has switched to a new countywide enterprise information system called Workday which will manage all aspects of County functions including human resources and finances. County Human Resources does not believe this new system may be the most useful for LAFCo with regard to payroll services and it was suggested we explore other private contracted payroll related services. This review will play out over the next few months and staff will keep the Commission apprised of any necessary changes or conversations.
5. Staff has secured reservations with the City of Oroville for the use of the City Council Chambers for the remaining fiscal year should it be needed. Depending on the impacts of the pandemic and other factors, the Commission may wish to consider a permanent change to its public meeting venue in the future.
6. As the state moves out from under pandemic restrictions and guidance allowing for in-person public meetings, the Commission may wish to discuss the format and conduct of future meetings.

PROJECT/GENERAL NOTES:

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

- 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), continues to proceed with the Options Study for the Paradise Irrigation District. The group of stakeholders, including LAFCo, meets regularly to discuss the process and the path forward. Possible options include, the District merging with the Town of Paradise, reorganizing with another public or private water purveyor, expanding the District’s customer base (Miocene residents, Butte Valley, Chico), temporary raw water transfers, Chico intertie, new businesses (bottled water, hydro power, fisheries help), partnership with the Town to operate the proposed sewer system, and rate increases. On 2/5/21, GEI Consultants, Inc. was selected to prepare the Options Study and the OWP is completing contract negotiations with GEI. Work is underway with an anticipated completion date of November 2021. The next stakeholder meeting is scheduled for January 2022. ****NEW**** Agenda Item 4.3.
- City of Chico Annexation Plan** - Staff continues to work with City staff to develop an annexation plan for the remaining four island areas within the City. It is our goal to see the island annexation plan completed in the next few months with fixed dates for annexation to be implemented over a period of four years, or an island area every year until they are all gone! ****NEW**** The Chico City Council will consider the Annexation Plan at its March 15, 2022, meeting. The Plan will then be agendized for the Commission’s consideration at its April 7, 2022, meeting.
- El Medio Fire Protection District** – LAFCo was contacted by the County of Butte and City of Oroville in August 2020 to discuss concerns about the functionality of the El Medio Fire Protection District (EMFPD), primarily a lack of adequate funding. The EMFPD tax measure failed in November, 2020, and the District Board met on November 11, 2020 and unilaterally decided to “shut the doors” and lay-off its employees. The Board met on November 19 and issued lay-off notices that took effect on Dec 25, 2020, at which time the District reasonably 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 reorganization including contractual agreements, converting to a subsidiary district (governed by City Council) and dissolution. Staff coordinated a meeting on December 4, 2020, with representatives from the District (Board Chair, Chief, Fire Captain), the County (Fire Chief, Deputy Administrative Officer) and the City of Oroville (Public Safety Director, Battalion Chief) to discuss various options that could be considered by all parties. There seemed to be preliminary concurrence that the City and the District would - prior to the December 25 shutdown - approve a contractual agreement or MOU that would allow the City to provide services to the District for payment. This effort was unsuccessful and the District effectively shut down operations on December 25, 2020. The Oroville City Council held a special meeting on January 28, 2021 to receive a presentation from CALFIRE related to the City contracting for fire services similar to Paradise, Biggs, Gridley and the County. This presentation included contingencies to address the issue of the EMFPD. The issue cannot be solved alone by LAFCo, but most likely will require LAFCo action to resolve. Staff has received a growing number of complaints from citizens within the District concerning a lack of service and the continued collections of District parcel assessments. In an effort to prompt the District to act, Staff sent a letter dated November 8, 2021, to the District Board and Chief strongly recommending that the District hold a public meeting to discuss the future of the District with its constituents. Staff met with the EMFPD Board Chair on December 14, 2021, and discussed the District’s future actions. It was shared that the District has another option (not revealed) to allow it to re-open and provide service within the next 30-60 days. Staff also met with the City of Oroville Mayor, Legal Counsel and City Administrator on December 16, 2021, to discuss options. The candid Staff assessment at this time is that the EMFPD

is substantially unlikely to resolve its issues or take action to dissolve itself meaning one or more affected agencies (City, County, LAFCo) must decide to formally initiate, at a public hearing, a discussion to reorganize the EMFPD as either a subsidiary district of the City of Oroville or dissolve the District altogether. ****NEW**** Staff met with City of Oroville on February 17, 2022, to discuss a number of service issues to include the current condition of the EMFPD. City staff is now considering adopting a resolution of application to LAFCo to initiate the dissolution of the EMFPD.

- **County of Butte - Tuscan Ridge Planned Development (PUD21-0001))** - 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 proposal includes a 98 acre planned development he PUD of 165 homes, limited commercial space, golf related facilities and open space. 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. ****NEW**** 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.
- **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. Staff recognizes that this proposed project is of significant value to the Town and has been a long standing goal. The Town staff have presented the proposal to the Chico City Council, the Board of Supervisors and LAFCo and the City of Chico has agreed to proceed with the sewer options study. 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>. 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, 2021. The EIR is not expected to be completed until spring 2022. The City of Chico and Town engineering staff continue to develop a sewer agreement that will be the backbone of the proposal. The Town Council received an update on the sewer proposal at its December 16, 2021.
- **Palermo Clean Water Consolidation Project**
([http://buttecounty.net/waterresourceconservation/Palermo Clean Water](http://buttecounty.net/waterresourceconservation/Palermo_Clean_Water)) - Butte County was awarded a Proposition 1 grant to help address clean water needs of the semi-rural unincorporated residential community of Palermo with less than 5,500 residents located

in an unincorporated portion of Butte County south of Oroville. Palermo has smaller parcels served by individual wells for potable water supply and on-site septic systems and has many long term challenges regarding contaminated drinking water, poor drainage, and failing septic systems. The County is coordinating with the South Feather Water & Power Agency (SFWPA) to annex approximately 490 parcels in order to access treated water to address the drinking water quality concerns. The Initial Study has been circulated with comments due by January 13, 2022 and annexation applications possible by summer 2022.

- **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.
- **City of Oroville – Contractual Services Agreement with CALFIRE**. At its March 2, 2021 meeting, the City of Oroville signed a Letter of Intent with CALFIRE to begin negotiations for the transfer of fire protection services from the Oroville Fire Department to CALFIRE. This contractual agreement must be approved by LAFCo pursuant to Government Code Section 56134. The City held a public hearing in August and formally requested CALFire make application to LAFCo for the extension of fire services to the City of Oroville. CALFire has submitted the service extension application which is currently being reviewed by Staff and will be on a future agenda for consideration. Through this process, Staff will review options to address the current dysfunction of the El Medio Fire Protection District.
- **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.
- **City of Biggs – Annexation Plan** – The City of Biggs has utilized its share of SB2 planning funds to develop 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.
- **Miocene Canal** - The destruction of the upper Miocene Canal by the Camp Fire has dewatered the middle and lower Miocene, causing great disruption to landowners dependent on the water supply for their farms/residences and the environment dependent on canal leakage over the decades to thrive. PG&E initially refused to repair the canal infrastructure, but entered a plea agreement for its criminal actions resulting in PG&E providing up to \$15 million over five years to restore water to the middle canal. A number of options were

considered to restore the Miocene flow and PG&E has tentatively decided to replace the destroyed upper Miocene ditch/flumes with pipes to carry the Feather River water to Kunkle Reservoir. This effort is anticipated to be completed by November 2021. It remains an open question as to how this water flow will be managed/maintained in the future with one possible scenario being to form a special district to finance and manage any future facilities. Staff continues to participate in discussions. Staff will continue to monitor and assist this effort towards the universal goal of re-establishing water flow in the Miocene Canal. Staff participated in the Miocene Working Group monthly call on May 20, 2021 which covered emergency water deliveries from Paradise Irrigation District (PID) which would require LAFCo review, the ongoing design of a replacement project for the Upper Miocene and the belief by PG&E that they are not legally bound to redevelop the destroyed Miocene facilities, but only required to restore water deliveries (by any means possible).

- **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 completed in February 2022.
- **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.
- **Butte County Upper Ridge Community Plan (URCP)** - The URCP would be an extension of the Butte County General Plan and provide policy guidance for the areas within the unincorporated portion of Butte County north of the Town of Paradise, including Magalia and Paradise Pines, collectively known as the *Upper Ridge*. The 2018 Camp Fire destroyed 2,158 homes within the area, especially in the lower Paradise Pines subdivision. The Upper Ridge Community Council (URCC) has identified benefits from a community plan, such as fire safety, evacuation routes, land use planning, community and economic development, affordable housing, infrastructure, recreation, and quality of life. Past interactions with the URCC have included questions concerning governance options and service provision options such as community services district or county service area, which would require LAFCo action to accomplish. Staff will continue to monitor the process for LAFCo interests. More information can be found at www.buttecounty.net/dds/urcp
- **County of Butte, North Chico Village Vision Plan** – The County in cooperation with the City of Chico, is developing an update to the "Village Core" in the 1995 North Chico Specific Plan (NCSP). The mixed-use North Chico Village, known as the heart of the NCSP, is a 484-acre portion of the larger 2,980-acre NCSP. The site is relatively flat and extensively planted with orchards at this time. Current zoning would support approximately 2,000 dwelling units, the area has been identified for urban development by both the City and County's General Plans since 1995, but has yet to be developed due to a lack of infrastructure and financing. The planning effort includes a "re-visioning" of the North Chico Village with an emphasis on increased residential development and density. The project will update existing constraints, provide for a mix of housing types, including multi-family and low-income. Staff will be tracking this project as it will require annexation to the City of Chico in order to build-out with full City services provided. More information can be found at www.northchicovillage.com

- **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.
- **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.
- **County of Butte** - Expansion of Powers for CSA 164 to add fire protection services. The County has placed this effort on hold.
- **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 currently being prepared.

CALAFCO:

- The CALAFCO Executive Director (ED) retired from her position effective February 28, 2022. The CALAFCO Board has hired Rene LaRoche to be the new CALAFCO Executive Director. This will not alter the current roles of Commissioner Connelly and the Executive Officer who will be expected to assist the new ED with her transition.
- As an item of interest only, CALAFCO has seen an increasing number of retirements of long serving executive officers and other staff. This is due to the aging cadre of LAFCo professionals, pandemic impacts as well as an overall contentious atmosphere surrounding public service in general. This means more recruitment competition among LAFCo's can be expected in the future. This situation mirrors Butte LAFCo as 3 out of 4 staff have all worked for LAFCo in excess of 14 years, with the Executive Officer having served for 26 years.

LEGISLATION: The 2021/22 Legislative session is approaching and the CALAFCO Legislative Committee has been formed to guide CALAFCO legislative priorities and initiatives. Commissioner Connelly, the Executive Officer and Legal Counsel are voting members of the Legislative Committee. CALAFCO priorities for the coming year include:

- Clarifications to GC56133 (service extensions) that will specifically direct that all service extension exemptions are approved by each local LAFCo as opposed to local agencies “self-exempting” from the law. CALAFCO will join San Diego LAFCo in developing this legislation and related lobbying effort.
- The CALAFCO Protest Provisions working group of which the Executive Officer is a member, has successfully worked with our counterparts in the California Special Districts Association

(CSDA) to bring forth a bill to re-write the protest provisions in CKH so that they are consolidated and simplified for use. This bill represents no substantial changes to the code.

- The CALAFCO Protest Provisions working group achieved a hard fought and elusive goal of amending the protest provisions in CKH to allow LAFCo initiated proposals to be treated the same as all others by changing the protest threshold from 10% to 25% and establish some guardrails to ensure the LAFCo process offers local agencies a path to corrections before a dissolution or other reorganization. CALAFCO is currently seeking a legislative author for the bill and expects the legislation to be heard and approved this legislative cycle.

APPLICATION ACTIVITY:

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<i>Project Status As of Feb. 24, 2022</i>								
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			In progress - Continued to 2/3/22
22-05	Gridley	W Biggs-Gridley Rd Annexation No. 2	10/12/21	11/01/21	03/03/22			In progress
22-06	Chico	Glenwood Ave Annexation No. 3	10/22/21	11/17/21	04/07/22			In progress
22-07	CALFIRE	Fire Services by Contract - City of Oroville	10/22/21	11/17/21	04/07/22			In progress
22-08	SFWPA	Oro Bangor Hwy Annexation No. 4	10/22/21	11/22/21	01/06/21		02/22/22	Approved - Reconsideration period

Attachments: None