

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 22, 2023 for the meeting of March 2, 2023

ADMINISTRATION:

- In an effort to select a new Alternate City Member, the City Selection Committee met on February 6, 2023. As of the date of this report, results have yet to be received.
- Special District Regular Enterprise Commissioner Sharman's term ends on May 31, 2023. On January 24, 2023, staff sent a Call for Nominations to all Special Districts. Nominations are due back on or before Friday, March 3, 2023.
- The annual audit for FY 2021-22 is underway. Field work was conducted in January. The final audit is anticipated to be presented to the Commission for its acceptance at its April meeting.

PROJECT/GENERAL NOTES:

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

- **County Libraries** - Staff was contacted by County Administration to explore opportunities to establish long-term funding resources for the operation of the County library system, to include different models for the delivery of the service. **NEW** The BOS directed its staff to further explore all options at its February 14, 2023 meeting.
- **Paradise Sewer Project** – 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. These efforts can be tracked at <https://paradisesewer.com>. 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. On November 7th, 2022, the Paradise Town Council unanimously voted to adopt the EIR for the Paradise Sewer Project. The Town has informed Staff that both the City and Town are prepared to act in February to approve the contractual agreement between the two agencies and submit an application to LAFCo to consider the service extension. **NEW** The Town Council approved the contractual agreement on February 14, 2022. On February 21, 2022, the City of Chico City Council unanimously approved the inter-municipal agreement and directed staff proceed with the extension of services application to LAFCo.
- **Proposed Cemetery District Formation** – A group of Durham residents have approached the County and LAFCo seeking a solution to the long-term maintenance and operation of the historical Durham Cemetery to include forming a new independent cemetery district, contracts with other service providers, County operation under the umbrella of the dependent (BOS) Thompson Flat Cemetery District. As with most service issues, funding is the need and the goal. Discussions are ongoing.

- **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). 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. The City Council approved the Valleys Edge Specific Plan on January 17, 2023.
- **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 impacts
 Staff is coordinating the discussions between stakeholder agencies.
- **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. A variety of factors contribute to the need to update the General Plan. The existing General Plan 2030 was adopted nearly 12 years ago (October 26, 2010) - updates are needed to keep the plan topical and relevant to changing conditions such as: the redistribution of population and impacts and recovery needs of the Camp Fire, North Complex Fire and Dixie Fire, Legislative mandates from the State concerning climate change and adaptation policy, environmental justice policy, and fire hazard impacts, and the updated of the Housing Element in 2022 for the next effective period until 2030. The county has posted the Notice of Availability for the Draft Environmental Impact Report (DEIR) which establishes 45 days period for comments to close on February 21, 2023.

[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.

- **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 Draft 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: None.

LEGISLATION: The 2022/23 Legislative session is underway. Commissioner Connelly, the Executive Officer and Legal Counsel are voting members of the Legislative Committee. CALAFCO priorities for the coming year include:

1. In response to a 2022 decision from a Second District Court of Appeals, CALAFCO will seek legislation to provide clear authority to LAFCo to require indemnification agreements. In that case, a LAFCo denied an annexation application and was sued by the applicants. The LAFCo prevailed in court and

presented the \$400,000 bill for attorney fees and costs to the applicants who refused to pay. Complaints and Cross-Complaints were filed seeking recovery of the fees. The cross-complaint was

based on the indemnity provision of the LAFCo annexation application. The Court of Appeals found that the LAFCo was not entitled to legal fees. It opined that LAFCos operate only under and within the authorities expressly given to them by the legislature and, consequently, determined that LAFCo has no statutory authority to impose an indemnity agreement as a condition of a LAFCo application. After consideration of the above, the CALAFCO Board approved seeking legislation to amend existing Government Code Section 56383 to add the following new Subsection (h):

(h) A Commission may require, as a condition for processing a change of organization or reorganization, a sphere amendment or a sphere update, an out-of-agency service or exemption request pursuant to Government Code §§56133 or 56134, or any other action or determination requested of LAFCo, that the applicant defend, indemnify, and hold harmless the Commission, its agents, officers, and employees from any claim, action, or proceeding against the Commission, its agents, officers, or employees to attack, set aside, invalidate void, or annul, a determination of the commission.

- 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.

APPLICATION ACTIVITY:

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Project Status As of February 22, 2023								
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	11/03/22			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	02/02/23			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	11/14/22	12/01/22	2/15/2023	2/16/203	Complete
23-07	Depweg	Centennial Avenue Annex. No. 1	12/20/23	01/09/23	02/02/23			In progress
23-08	Ted Trimble	Drainage District #2 Dissolution	12/19/23	01/20/23	03/02/23			In progress
23-09	Paradise	MSR Update 2022	11/15/23	n/a				In progress
23-10	SFWPA	Milligan Lane Annex. No. 1	12/05/23	01/06/23	02/02/23			In progress
23-11	SFWPA	Foothill Blvd Annex. No. 8	01/23/23		03/02/23			In progress
23-12	Gridley	MSR Update 2022	01/06/23	n/a				In progress
23-13	Biggs	W Rio Bonito Road Annex. No. 8	01/13/23					In progress

Attachments: None