

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: April 27, 2022 for the meeting of May 5, 2022

ADMINISTRATION:

1. At the Commission's direction, Staff prepared a Draft Letter Agreement (**Attachment 1**) with the City of Oroville for the permanent use of the City Council Chambers for all future LAFCo meetings. This effort will also involve an amendment to our bylaws.

PROJECT/GENERAL NOTES:

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

- **Palermo Clean Water Consolidation Project**
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. ****NEW**** At the request of the Director of Water and Resource Conservation, Staff has provided a letter of support (**Attachment 2**) for the Palermo Clean Water Consolidation Project. The SFWPA anticipates initiating the annexation of the Palermo area to the District at its April 26, 2022, meeting.
- **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. ****NEW**** 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 includes Biggs School Property on the east boundary of the City. An application is anticipated in May.
- **County of Butte - Tuscan Ridge Planned Development (PUD21-0001) –**
<http://www.buttecounty.net/dds/Planning/Notable-Projects>
 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 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. 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 while it is currently being evaluated in the Options Study and is in need of an updated MSR/SOI. This issue is further complicated by the fact that the Town of Paradise has not net 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.

- ***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. The Options Study was to be released to the public at a workshop scheduled for March 24, but this workshop was cancelled as the Consultant team deemed it not yet ready. During the comment response period, new information was uncovered related to PID future revenues and estimate population growth which needs to be incorporated into the Study. No new date for the public workshop has been set.
- ***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. 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.

- **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.
- **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.
- **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.
- **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: Verbal Update

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:

- SB 938 (Hertzberg) – This bill has two components, a reorganization (without changes) of existing protest provisions and the authority for LAFCo's to initiate a special district dissolution. Of importance is the dissolution authority. 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.

APPLICATION ACTIVITY:

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<i>Project Status As of April 27th, 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			Approved - waiting on election
22-05	Gridley	W Biggs-Gridley Rd Annexation No. 2	10/12/21	11/01/21	03/03/22			Approved - waiting on map and legal
22-06	Chico	Glenwood Ave Annexation No. 3	10/22/21	11/17/21	04/07/22			Approved - waiting on map and legal
22-07	CALFIRE	Fire Services by Contract - City of Oroville	10/22/21	11/17/21	04/07/22			Approved
22-10	Gridley	W Biggs-Gridley Rd Annexation No. 3	03/28/22					In progress

- Attachments: 1. Letter Agreement with City of Oroville
2. Letter of Support for Palermo Clean Water Project



BUTTE LOCAL AGENCY FORMATION COMMISSION

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DRAFT
April 13, 2022

Bill LaGrone, City Administrator
City of Oroville
1735 Montgomery Street
Oroville, CA 95965

Submitted via email to: blagrone@oropd.org

RE: LETTER AGREEMENT: LAFCo Use of Oroville City Council Chamber

Dear Mr. LaGrone:

On behalf of the Butte Local Agency Formation Commission (LAFCo), I wish to thank the City of Oroville for the use of the City Council Chambers during the pandemic uncertainty we all faced.

As you know, the Commission had historically met in the Butte County Board of Supervisors Chambers which is configured for a 5 member Board, whereas the City Council Chambers accommodates 7 members which is similar to the Commission.

The Commission supports a permanent change to utilize the City of Oroville Council Chambers for its public meeting venue and graciously accepts the City's offer to continue it use.

AGREEMENT:

1. It is hereby agreed that the City of Oroville authorizes the Butte LAFCo to utilize the City of Oroville City Council Chambers on the first Thursday of every month and at other times as requested and approved by the City Administrator or designee.
2. The City offers the facilities at no cost to Butte LAFCo and Butte LAFCo agrees to cover any unexpected costs resulting from City staff assistance that may be required.
3. The Agreement will commence on May 1, 2022, and remain in effect for a period of ten (10) years.

Stephen Lucas Date
LAFCo Executive Officer

Bill LaGrone Date
City Administrator



BUTTE LOCAL AGENCY FORMATION COMMISSION

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April 12, 2022

Kamie Loeser, Director
Department of Water and Resource Conservation
County of Butte
308 Nelson Avenue
Oroville, CA 95965

Sent Via Email: kloeser@buttecounty.net

Re: Support for the Palermo Clean Water Consolidation Project

Dear Ms. Loeser:

As both an observer and a regulator, the Butte Local Agency Formation Commission (LAFCo) enthusiastically supports the Palermo Clean Water Consolidation Project (Project). This Project will significantly help address clean water needs of the semi-rural unincorporated community of Palermo.

Butte LAFCo has long been aware that the continued conjunctive use of individual wells for potable water supply and on-site septic systems in the affected area presents many long term challenges regarding contaminated drinking water, poor drainage, and failing septic systems.

LAFCo has conducted an early consultation with the South Feather Water & Power Agency (SFWPA) concerning the Project and the necessary annexation of the approximately 490 affected parcels into the SFWPA in order to access treated water. The annexation process is expected to begin with the SFWPA public hearing in late April to consider initiating the annexation of the Palermo community into the District.

If we can be of any further assistance please contact me at your convenience.

Sincerely,

Steve Lucas

Stephen Lucas
Executive Officer

cc: LAFCo Commissioners
South Feather Water & Power Agency