

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 28, 2021 for the meeting of November 4, 2021

ADMINISTRATION:

1. The terms of Special District Commissioners McGreehan (Regular Non-Enterprise) and Bradley (Alternate) technically ended on May 31, 2021. Staff issued ballots to each Special District in February with an initial due date of May 14, 2021 at which time Staff had received only 14 ballots. The election was extended to July 2, 2021, again to September 3, 2021 and again to November 5, 2021. At present we have received 22 ballots which is a quorum of districts, however, we will not officially conclude the election until the close of the current ballot period. Based on the current vote totals, we can tentatively conclude that Commissioners McGreehan and Bradley have been re-elected.

PROJECT/GENERAL NOTES:

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

- **City of Chico Annexation Plan** - Staff has been working 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. ****NEW**** See Agenda Item 4.3.
- **City of Oroville – Contractual Services Agreement with CALFIRE.** At its March 2, 2021 meeting, the City of Oroville directed its staff to sign a Letter of Intent with CALFIRE to begin negotiations for the possible transfer of fire protection services from the Oroville Fire Department to CALFIRE. This contractual agreement is required to be approved by LAFCo pursuant to Government Code Section 56134. Staff met with representatives of CALFIRE and the City of Oroville on April 12, 2021 to discuss the necessary steps to consider a contractual agreement. 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. ****NEW**** CALFire has submitted the service extension application which is currently being reviewed by Staff and will be on future agenda for consideration. Through this process, Staff will review options to address the current dysfunction of the El Medio Fire Protection District.
- ****NEW** City of Chico – Valleys Edge Specific Plan** - The City of Chico is currently processing the Public Review Draft Valley's Edge Specific Plan (VESP) which can be found on the City's website at <https://chico.ca.us/valleys-edge-specific-plan>. The related Draft Environmental Impact Report (EIR) is undergoing final revisions and will be released for a 45-day public comment period in October 2021. The intention behind staggering these release dates is to give interested parties sufficient time to review the specific plan (which

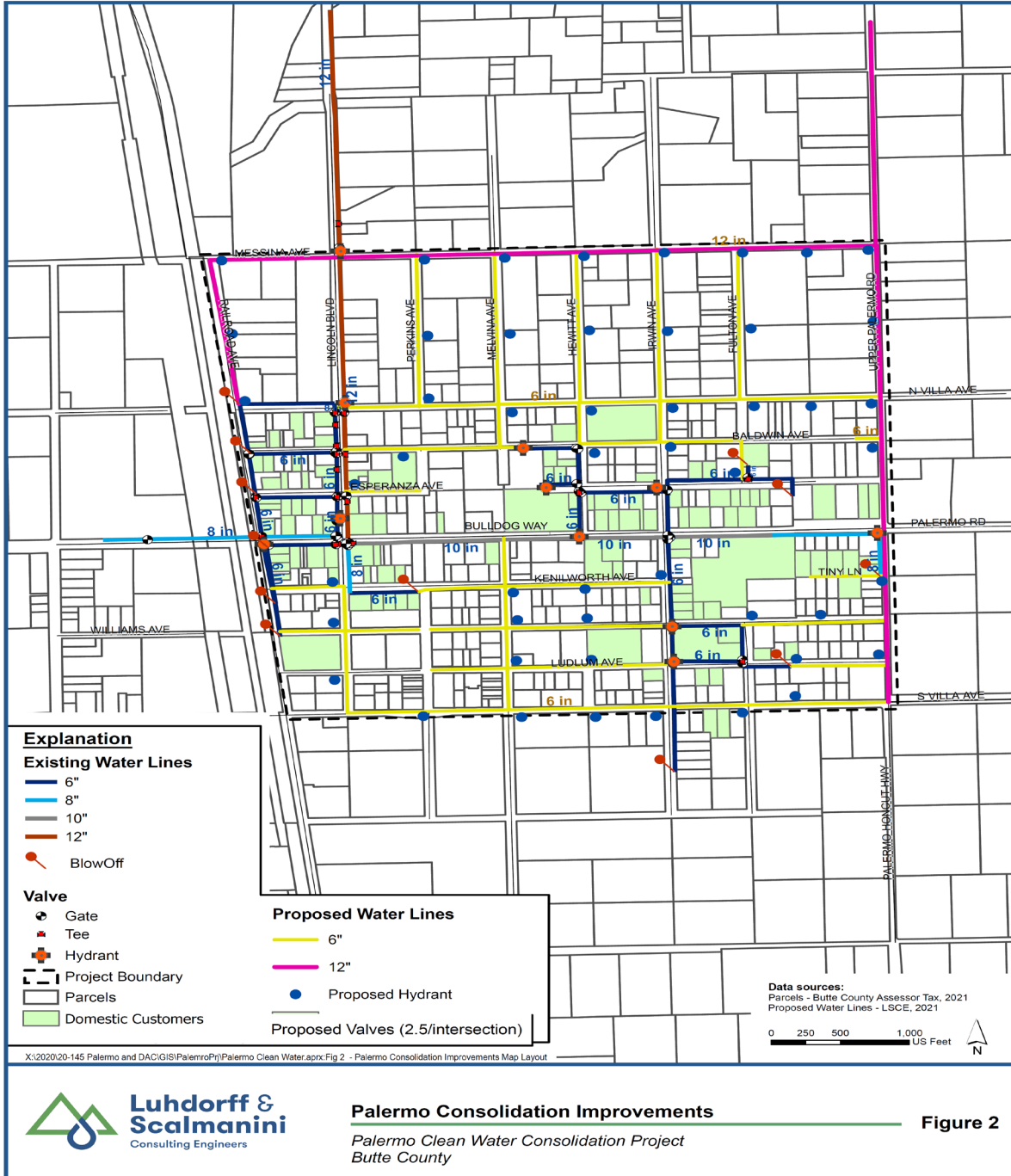
comprises the proposed project), prior to circulating the Draft EIR (which analyzes the proposed project). The City of Chico 2030 General Plan (GP 2030) provides a comprehensive and long-range framework for the growth of Chico. To meet the City's future housing and employment needs GP 2030 identified five new growth areas, designated Special Planning Areas (SPAs), 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 Valley's Edge Specific Plan (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.



****NEW**Palermo Clean Water Consolidation Project** - Butte County has been awarded Technical Assistance funds through the Disadvantaged Community (DAC) Involvement Program funded by Proposition 1 to help address needs of the unincorporated residential community of Palermo (see graphic below). Palermo is a semi-rural community with less than 5,500 residents located in an unincorporated portion of Butte County south of Oroville. This area has smaller parcels served by individual wells for potable water supply and on-site septic systems. There are many long term challenges in Palermo regarding contaminated drinking water, poor drainage,

and septic systems. Coordination with local agencies and advancing the promising solution to expand the service area of **South Feather Water & Power Agency** (SFWPA) to connect domestic users to treated water would address the drinking water quality concerns. The project needs to be more clearly defined and scoped and a grant application developed to seek implementation funding. The awarded technical assistance funds will be used to hire a consultant to work with local agencies and stakeholders to identify infrastructure needs and promising solutions for the Palermo Project and to evaluate funding opportunities to complete a grant application. A Request for Proposals is currently out to select a contractor to conduct this work. The deadline for submittal is January 8.

EXHIBIT B - PRELIMINARY PROJECT BOUNDARY MAP



- ****NEW**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.

- Town of Paradise/City of Chico Sewer Line** – The Town of Paradise is exploring options to provide wastewater treatment services to its existing commercial land uses that are limited from expanding due to sewage disposal constraints. The preferred option is conveying the Town’s wastewater directly to the City of Chico’s existing 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 and it is important to have the Commission’s involvement at the earliest stages of consideration. 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 will be evaluating the proposal as it proceeds. The Committee’s efforts can be tracked at <https://paradisesewer.com>. The group initially met on March 8, 2021 and again on April 12, 2021 via Zoom. Most of the discussion to date has involved logistics and expectations for the project. Shown below are both the *Project Schedule* and the anticipated *Project Costs*. Staff is concerned that the “Project Schedule” does not show a step in the process for LAFCo review and consideration. The Committee meets again on May 10, 2021. 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 has released a Notice of Preparation (NOP) for the Environmental Impact Report (EIR) with comments due by June 3, 2021. Staff prepared and submitted NOP comments on May 20, 2021 and met with Town staff and consultants on May 24, 2021 to discuss the comments and the process ahead. The City of Chico and Town engineering staff continue to develop a sewer agreement that will be the backbone of the proposal. ****NEW**** Staff met with Town, City and Consultants on October 25, 2021 to review/discuss the draft project description for the EIR, which is not expected to be completed until spring 2022.
- Paradise Water Group** - A new citizens committee has been formed in Paradise called Hold Our Water (HOW). The reported goal of this committee is to bring together the Town of Paradise, its residents, and the Paradise Irrigation District (PID) to prevent a takeover of PID water assets by state or private interests who want to control our “Stranded Asset”, and constrain our ability to recover from the destruction caused by the fire. The Executive Officer was asked to assist the Committee with understanding the LAFCo process and the various reorganization option available to the PID and Town. This subject is closely related the ongoing Paradise Irrigation District Options Study. A representative of the group has inquired about the process to petition LAFCo directly to initiate the reorganization of the PID as a subsidiary district of the Town and requested the Notice of Intent to Circulate a petition. Such a petition would need the signatures of 5% of the registered voters within the district.
- Proposed Tuscan Water District** – On September 2, 2020, Executive Officer circulated a Notice of Intent to Circulate Petition submitted by the proponents of the proposed Tuscan Water District formation. The proponents submitted the petitions to the Executive Officer for review on February 22, 2021. The Executive Officer and Legal Counsel thoroughly reviewed each petition and its supporting ownership documents and determined the petition to be sufficient to support an application to LAFCo and Certificate of Sufficiency was issued on April 8, 2021. The petitioners subsequently submitted an application to LAFCo on June 22, 2021. The application is in the review stage as comments are received. The Butte County Water Commission met on September 1 and voted 6-3 to recommend the BOS support the proposal. The Vina Groundwater Sustainability Agency met on September 8, 2021 and decided to not comment on the proposal as it has yet to adopt its Groundwater Sustainability

Plan. The Butte County Board of Supervisors discussed the TWD proposal at its September 28, 2021 meeting and voted 3-1 to support the TWD proposal and provide a letter to LAFCo with recommended terms and conditions.

- ***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. Staff will keep the Commission apprised of this process.
- ***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 October 2021. The Consultants have now met with staff with from TWSD, SFWPA, SCOR and LOAPUD one on one and completed Requests for Information.

- 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 are proposed to be managed by a newly formed Community Service District (CSD) that would require LAFCo approval. At this time, the County informs us that the application submittal is incomplete and comments will be requested once all documents are received. 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.
- 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.
- 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, under the belief they could self-dissolve. The Board met on November 19 and issued lay-off notices that took effect on Dec 25 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. The EMFPD Board requested the City of Oroville to execute a contract for services and both the local fire unions have provided written support for a contractual agreement. 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). Staff discussed 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 resolution of this concern will take considerable effort by all parties to find a reasonable outcome that results in both effective fire protection services and respects the concerns of the residents of all agencies. The issue cannot be solved alone by LAFCo, but most likely will require LAFCo action to resolve. Staff will remain actively involved and update the Commission regularly.
- 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) has informed the CALAFCO Board of Directors that she will be retiring from the position December 30, 2021. The CALAFCO Board Recruitment Committee which includes Commissioner Connelly and the Executive Officer, is currently in the process of recruiting for a new ED. It is expected the current ED will remain in a part-time role until such time a new ED is selected.

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; and
- Sponsoring a bill to re-write the protest provisions in CKH so that they are consolidated and simplified; and
- Continuing our efforts to amend 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 Oct. 27, 2021</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
20-06	OMAD	Dissolution / Annexation to BCMVCD	01/21/20	02/06/20	08/06/20	08/17/21	10/22/21	Complete
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
21-05	Oroville	Feather Avenue Annexation No. 2	02/25/21	06/10/21	09/02/21			Approved
21-06	Landowners	Tuscan Water District Formation	02/22/21					In progress
22-01	SFWPA	Dunstone Drive Annexation No. 1	08/06/21	09/08/21	10/07/21			Approved
22-02	SFWPA	Long Bar Road Annexation No. 1	08/06/21	09/08/21	10/07/21			Approved
22-03	SFWPA	Pioneer Trail Annexation No. 1	08/06/21	09/08/21	10/07/21			Approved
22-04	SFWPA	Grier Ave Ext of Services - Water Haul			11/04/21			In review
22-05	Gridley	W Biggs-Gridley Rd Annexation No. 2	10/12/21					In progress
22-06	Chico	Glenwood Ave Annexation No. 3	10/22/21					In progress
22-07	CALFIRE	Fire Services by Contract - City of Oroville	10/22/21					In progress

Attachments: None