

BUTTE LOCAL AGENCY FORMATION COMMISSION
Minutes of June 7, 2018

(A complete voice recording of the Commission's meetings can be obtained from www.buttelafo.org)

1. Call to Order

Chair Leverenz called the meeting to order at 9:00 a.m., June 7, 2018, in the Butte County Board of Supervisors Chambers, 25 County Center Drive, Oroville, California.

1.1 Roll Call

Commissioners Present:

Scott Lotter (City)
Bill Connelly (County)
Nathan Wilkinson (City)
Steve Lambert (County)
Chair Carl Leverenz (Public)
Al McGreehan (Alternate - Special District)

Alternate Commissioners Present:

Greg Steel (Public)

Commissioners Absent:

Tom Lando (Special District) – Leave of Absence

Alternate Commissioners Absent:

Larry Wahl (County)
Bruce Johnson (City)

Others Present:

Stephen Lucas, LAFCO Executive Officer
Steve Betts, LAFCO Deputy Executive Officer (Retired)
Jill Broderon, LAFCO Management Analyst
Joy Stover, LAFCO Commission Clerk
P. Scott Browne, LAFCO Legal Counsel

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Chair Leverenz announced the passing of Craig Sanders, LAFCo Deputy Executive Officer. A moment of silence was held.

The Commission welcomed incoming Commissioner Nathan Wilkinson, City of Biggs Councilman.

2. Consent Agenda

2.1 Approval of the Minutes of May 3, 2018

Chair Leverenz asked if there were any changes or corrections to the minutes. None stated.

Commissioner McGreehan made a motion to approve the Consent Agenda. The motion was seconded by Commissioner Lotter.

The motion was carried by the following vote:

AYES: Commissioners Lotter, Connelly, McGreehan, Dahlmeier, Lambert and Chair Leverenz
NOES: None
ABSENT: Commissioner Lando
ABSTAINS: None

3. NOTICED PUBLIC HEARINGS

3.1 Amendment to Current Staff Charge-out Rates, Including Continuation of the Application of the Annual Cost Escalator Based Upon the Employment Cost Index (ECI).

Jill Broderson stated she has nothing to add to the staff report.

Chair Leverenz opened this item to the public for comment. No comments received and the public hearing was closed.

Commissioner Lotter made a motion to adopt the Amendment to Current Staff Charge-out Rates for FY. The motion was seconded by Commissioner Wilkinson.

The motion was carried by the following roll call vote:

AYES: Commissioners Lotter, Connelly, McGreehan, Wilkinson, Lambert and Chair Leverenz
NOES: None
ABSENT: Commissioner Lando
ABSTAINS: None

3.2 18-03 – Public Review Draft Municipal Service Reviews and Sphere of Influence Plans for the Drainage and Reclamation Districts in Butte County; Butte Creek Drainage District; Drainage District No. 1; Drainage District No. 2; Drainage District No. 100; Drainage District No. 200; Reclamation District No. 833; Sacramento River Reclamation District; Rock Creek Reclamation District *(Chair Leverenz delayed hearing this until after Item 4.2)*

Steve Lucas stated staff received a couple of comments; one from Rock Creek giving us an update of Board membership that doesn't substantially change the MSR. The second comment was some editing issues from Drainage District No. 200. Steve Lucas provided a PowerPoint presentation. (A copy of the PowerPoint presentation is available upon request).

There was discussion regarding detaching, dissolving and the annexation of some of the districts and the mechanics involved. The determinations and staff recommendations were summarized for each district. Chair Leverenz stated the Municipal Service Reviews have become more sophisticated than they were in the first round. We now have the opportunity to recommend things that will provide a better level of service.

Commissioner Wilkinson asked if District No. 2 was willing to dissolve.

Steve Lucas stated there was no direct opposition and there was interest. There would need to be more discussion to see if there was interest.

Commissioner Wilkinson asked if any of the other districts objected to any of the recommendations thus far.

Steve Lucas stated no.

Commissioner Connelly asked how the districts are funded.

Steve Lucas stated primarily by property tax allocations and parcel assessments.

John O'Farrell, residing at 88233 Winding Way, Fair Oaks, CA, stated he is a local government consultant and served for 25 years as Sacramento LAFCo executive officer. He is working with a number of the land owners that are interested in the Rock Creek Reclamation District SOI. They do support the executive officer's recommendation for the sphere amendment. They have property both within the district, in the proposed sphere amendment and other parts of the Vina Sub Basin. They would prefer to see the sphere expand as has been suggested. They are interested in being part of a local GSA that is not under the County's umbrella. They feel local planning of ground water management and monitoring is best served at that level rather than at a broader level. They would appreciate the Commission's consideration and ask that the Commission to direct your executive officer to take a new look and see if it makes some sense to include all of the white areas outside of Rock Creek Reclamation District, so that all those landowners would at least have an opportunity to be part of Rock Creek.

Chair Leverenz asked if we as a Commission decide to amend the Rock Creek SOI, would we need to continue this item to bring it back for review.

Steve Lucas confirmed.

Commissioner Lambert asked if we expand the Rock Creek Reclamation District SOI, would the governing body of the district change.

Steve Lucas stated this is a good question. Rock Creek currently has 76 parcels, so if you add in that entire white area it would greatly increase the size of the district. By expanding the area, you now have a larger area to pull representation from and could change the power of the Board.

Commissioner Lambert asked if the current Board doesn't want to give up some of their control, can they just vote down this amendment.

There was further discussion regarding an increase of resources if the expansion goes through, and the dynamics of that.

Steve Lucas stated the Commission could expand the sphere at this time. Later on when a district is faced with an annexation, the district has a veto option on that annexation, but it has to be based on fact such as they don't have the ability to serve the area. The district has to have a justification as to why they would not accept an annexation. This is not dealing with flood control and drainage. This is related to the

purpose of constructing the Groundwater Sustainability Plans. There are multiple ways that the group can achieve their goals.

John O'Farrell stated the group supports the executive officer's recommendation.

Commissioner Wilkinson asked how many of the landowners does Mr. O'Farrell represent right now.

John O'Farrell stated three right now.

Paul Bear, Chair of the Rock Creek Reclamation District stated he appreciates the time the staff has spent on this. One of the things that wasn't brought up real clear today was that our main purpose with this sphere is to get up into the Sand Creek area. Other landowners have come to the district with other plans and different perspectives. Sand Creek puts into the Rock Creek flow 5000 csf per minute. That is the same flow as Rock Creek has. So it is definitely at 50% of the peak flow conditions. The District wants to in the future, go up and treat a series of holding dams and holding areas up in the Sand Creek watershed to stop that massive flow of Sand Creek coming in. When there is a lot of water, Hwy 99 gets shut down where Sand Creek comes into Rock Creek due to flooding. If we can put in the dams and holding areas, according to the studies done so far, we can probably slow that water down for at least 8 hours. With a short watershed, the minute the rain stops, the streams drop really quick. We are a GSA with Chico and the County and we need to reach sustainability. This project, if we can make it work, would be the second item after the City of Chico. The water we hold back we can use it for regeneration to recharge the aquifer and if needed, we can hold this water and channel it down Rock Creek for pumping water to a lot of the orchards that are currently using ground water now. Anything in the future we can do to get this massive amount of water will be one more step in the ground water sustainability plan that we can put in.

Chair Leverenz stated if we increase the sphere it does not increase the boundary of the district.

Steve Lucas stated the district would then need to bring forth the annexations to LAFCo just like a city would.

Paul Bear stated the town of Nord has been a thorn in the side of the County for a long time due to flooding. We as a district now have taken a lot of pressure off of Nord. The main goal of the district is to work on flood control.

Chair Leverenz stated the request was to give the District a sphere that would cover a larger area and does the district have any problem with that.

Paul Bear stated his support is only for the staff report recommendation.

Commissioner McGreehan stated if we approve Option one of the staff report, that doesn't change the SOI boundary does it.

Steve Lucas stated by approving Option one, you would be approving the sphere amendment as set forth by the staff report.

Chair Leverenz stated by adopting the resolution today, we would be adopting the staff report with those changes in the spheres.

Commissioner Connelly confirmed if we adopt the resolution as presented then landowners can later come in to request a sphere amendment at a later time.

Commissioner Connelly moved to approve Resolution No. 16 2017/18 in its current form, approving the Municipal Service Reviews and Sphere of Influence Plans. The motion was seconded by Commissioner Wilkinson.

The motion was carried by the following roll call vote:

AYES: Commissioners Lotter, Connelly, McGreehan, Wilkinson, Lambert and Chair Leverenz
NOES: None
ABSENT: Commissioner Lando
ABSTAINS: None

3.3 18-05 – Butte County Mosquito and Vector Control District – Rice Fields Reorganization

Steve Betts stated this project is consistent with the findings and determinations of the Municipal Service Review for Mosquito Abatement Districts in Butte County which the Commission adopted last year. Staff recommends approval of the resolution as shown in the staff report. As of this morning, staff has not received any written objections to this project and if we do receive any before the close of this hearing, we will need to hold a protest hearing on this item. If no objections are received this project will go forward. Steve Betts stated he wanted to thank the Butte County Mosquito and Vector Control District Board of Directors and General Manager for recognizing the need to provide improved mosquito abatement services to the territory and for initiating this annexation.

Chair Leverenz stated for members of the public stated the Commission is required to review the activities of various entities in the County one of which is all of the mosquito abatement districts. It was determined that the rice acreage in the Durham Mosquito Abatement District was not adequately being larvacided and sprayed. What this resolution does is move that acreage under the jurisdiction of the Butte County Mosquito and Vector Control District that has the equipment and manpower to provide the services.

Chair Leverenz opened this item to the public for comments. None received. The public hearing was closed.

Commissioner Connelly moved to approve Resolution No. 13 2017/18 approving the detachment of 92 parcels from the Durham Mosquito Abatement District and annexing the same parcels into the Butte County Mosquito and Vector Control District. The motion was seconded by Commissioner Wilkinson.

The motion was carried by the following roll call vote:

AYES: Commissioners Lotter, Connelly, McGreehan, Wilkinson, Lambert and Chair Leverenz
NOES: None
ABSENT: Commissioner Lando
ABSTAINS: None

4. REGULAR AGENDA

4.1 Items Removed from the Consent Agenda. None

4.2 17-11 – Oroville Region Water Study

Steve Lucas stated the Commission was asked to intervene and administer a Water Study to compare rates and the services of the three water providers in the Oroville region. NorthStar Engineering was awarded the contract. The end result is a meaningful comparison of data that reflects the services and cost for domestic water between the three entities. LAFCo's role is simply an administrator. The Commission does not have to adopt this document, it is simply an informational document and if the Commission is prepared to, we can simply accept the document and close the contract.

Mark Adams, civil engineer for NorthStar Engineers, stated he has 40 years of experience as an engineer and has worked for many water districts, wastewater districts, has run a corporation and has worked for a lot of different agencies and companies. Mark stated he understands the requirements for water conveyance and getting water into a community and serving the needs of a community. Water is so important to the Oroville community and is a major asset for Oroville. He looked at three very vastly different organizations and tried to understand why the water rates are what they are. Mark stated there are more differences in these three entities than similarities. It was really hard to make a comparison. All three entities are really well managed and operated. All three entities ensure high quality water to the end user. A PowerPoint presentation was provided.

Mark stated for SFWPA the Power / Hydro source is funding two thirds of the cost of the water. Hydro source may not be able to be sustained in the future. The entire power industry is changing dramatically and we don't know if that revenue source is going to be stable or not into the future. He would caution the SFWPA Board of Directors that they need to look very far into the future and make sure they are protected.

Mark stated TWSD has been a really well run organization and very fiscally responsible. They have been incredibly responsible with the rate payers at holding the cost down. They have been a little too responsible as they have not spent enough on capital improvements. The agency is virtually debt free and that is admirable. This goes back to a water entity and sewer entity running out of the same house, using cost sharing methods. Capital spending is low for TWSD and Cal Water's are high as this is the way they increase the value of their shares.

Cal Water is being very proactive in their capital spending program and SFWPA and TWSD are being more cautious. Cal Water's future pension obligations and healthcare are fully funded and SFWPA's and TWSD's are not fully funded. That is something they are going to have to be dealing with in the next couple of years. This will be increasing operational cost for SFWPA and TWSD.

With Cal Water, the Miocene ditches are not efficient. They are costly to maintain and there are water quality issues due to going through miles of open ditches. The ditch becomes a liability at a certain point. Cal Water needs to try to get rid of the ditches and get their water from Lake Oroville.

Water conservation results in higher cost of water. That is just a fact of life and every single water district is dealing with this. Cal Water is ahead of the game as they have more urban customers and they teach ways to conserve. The other two districts do not spend money or time on conservation. Mark stated he would like to see some open

conversations between the three districts at looking at ways to benefit the community as a whole.

Chair Leverenz opened this item to the public.

Jack Kiely, residing at 5317 Royal Oaks Drive, Oroville, submitted a blue sheet into record and provided copies to the Commission members. The study has accomplished pretty much what they were looking for: Is there some alternatives and get the figures out in such a way that customers can understand their bill. Mark has done a fairly good job of this. Could Cal Water purchase treated water from SFWPA or TWSD? Part of Oroville is already served by SFWPA and TWSD. He feels this is a possibility. Eventually SFWPA is going to have to build some kind of a large storage tank to serve the new growth area as about 86% of the area is served by two municipal water companies. He would like to know if they can consolidate. From a practicable standpoint, if all of these systems were connected together it would be great flexibility in how you operate the system to everyone's benefit. One thing the Study might have missed on is the value of the [treatment] plants. He does not see the SFWPA hydro issue as being drastic. Hydro is available at nighttime and solar is not. Hydro may have a better value. SFWPA and TWSD have an abundance of water and Cal Water has to buy their water.

Tasha Levinson, 1453 Bridge Street in Oroville and a Cal Water customer, stated she has several difficulties with this Report. One of which is in Mr. Lucas' opening introduction stating this was for a comparison of rates and services. The comparison was supposed to be looking for savings. We do have lots of water and we cannot afford it. Our growth is suffering from it. Yards are dying, plants are brown and dying, infill does not happen and property values are repressed because of our expensive water. In the Thermalito and SFWPA areas they are better off and more beautiful because of the affordability of the water. There may be some concerns that SFWPA is a bit too low, but every 3 years Cal Water comes in for a very significant rate increase, which they get. If we can find a way to work with Cal Water to save money, that would be better for the entire community.

George Barber, District Manager for California Water Service - Oroville and Chico Districts, stated he wants to make a few points for the record. We made the statement throughout the process that this is a very, very difficult subject to take on and to try and do justice with the little budget that was provided just doesn't work. There are a lot of problems with the Study. One of the things we tried to get across to Mark, is water consumption is a very different process across every agency. To make those comparisons just doesn't make sense. We want to make clear the Miocene canal was brought up. Our water agreement with the County and as well as the State, has been extended so we can move water through Lake Oroville for our treatment plant for the next ten years with an option to extend it another ten years beyond that. The idea of Miocene canal water going into our treatment system, that doesn't happen anymore. There was a lot of talk about profit and earnings, we could spend an hour making a presentation on how that works differently. George stated he has a good relationship with South Feather and with Thermalito and we'll always be working together to look for opportunities to have interconnections, etc.

Commissioner Connelly asked George Barber what he makes per year.

George Barber stated that is not public knowledge.

Commissioner Connelly asked how much does the president of Cal Water make a year.

George Barber stated you would have to take a look at our stockholder information.

Commissioner Connelly stated you are coming in here slighting our presentation as being wrong. You guys are wrong and way too high. It is criminal what you have done to this community and he really takes offense to Mr. Barber's statement.

George Barber stated he wasn't making slight, other than the fact that the study was underfunded, for one. He is working diligently to do the best thing he can for this community.

Commissioner Connelly stated the best thing he can do is lower his rate.

Celia Hirshman, a resident of Oroville residing at 1281 Montgomery St., stated she is a Cal Water customer and she is one of the 3 people who began a protest against Cal Water in 2012. The Montgomery Street Neighborhood Watch in Oroville sent a legal protest to the California Public Utilities Commission. We then went to the City of Oroville. They enjoined out suit and we fought alone to try to get better water rates. She stated she is not here for herself, but the people of Oroville. She provided a review of the median household income in the Oroville area versus the State of California. Celia provided a list of issues she has with Cal Water. This is a social justice issue and LAFCo is the last resort. She requests a second review.

Bill Bynum, a Palermo resident and a member of LOWR, stated he has had a lot of interaction with the residents of Oroville. He stated he agrees with Mr. Connelly in that it is criminal what is going on to the residents of Oroville. This is a social justice issue.

Chair Leverenz stated LAFCo is not in a position to initiate an action, but we are certainly receptive to additional study being requested by an entity. There are certainly mechanisms in place and if either of the two districts were interested in trying to change territories, we would be receptive.

Mark Adams stated he wanted to make a few comments to wrap up. Changing boundaries and entities is not what he was looking at. The entities are all very different and he was trying to show what that means to the rates. Jack brought up ideas to connect the districts. It is very complex system and would need infrastructure improvements to make those connections happen. There is value in that water and TWSD and SFWPA has an obligation to continue working to take advantage of that. Mark Adams stated he expected someone from San Jose to come to the meeting and not George. George is an engineer and honestly he is one of the best things that has happened locally for Cal Water. He cares about the community and he knows about water. Unfortunately he works for a large corporation and some of things George is saying is because of the culture of his agency compared to the culture of SFWPA and TWSD. TWSD and SFWPA is locally owned and operated. Cal Water has very corporate mentality and approach to stuff. They would rather spend money on reports to show us why we should be happy about paying \$3 a unit instead of spending money on a study to save money.

Chair Leverenz that is the point he was trying to make earlier. LAFCo has jurisdiction to review the two local entities, but we have no control or say at all over Cal Water. The only reason they are in this mix is because of the Study. We are charged my legislature to prepare municipal service reviews regarding efficiency and delivery of service to the

public. The two local districts have a responsibility to work together to ensure their service is a benefit to the public.

Mark Adams stated right now there is zero trust between the community and Cal Water. He would ask George Barber to go to San Jose and ask them to change their culture. It is asking an awful lot and come back to the community of Oroville and make us feel like we are being engaged with in an open, honest way.

Commissioner Connelly stated LAFCo exist to serve the public and to make sure entities provide the most meaningful, low cost, and best service they can. At a legislative level, maybe LAFCo should be given the legal power to be able to review all the water agencies and make determinations to combine them if appropriate. The bottom line is how we serve the public and what is best for the community. Here we are in a community with lots of water and we have people paying three times what he himself pays for his water. We have four sewer districts and that needs to be fixed too. This makes no sense for the community and for growth.

Commissioner Lotter made a motion to accept the report and authorize the staff to finalize the Study with NorthStar. The motion was seconded by Commissioner Connelly.

The motion was carried by the following call vote:

AYES:	Commissioners Lotter, Connelly, McGreehan, Wilkinson, Lambert and Chair Leverenz
NOES:	None
ABSENT:	Commissioner Lando
ABSTAINS:	None
ABSTAINS:	None

The Commission took a brief recess at this time.

5. Public Comment on Items not on the Agenda

Chair Leverenz asked if there was anyone who wished to speak on anything not on the agenda. No responses received.

6. Reports and Communications.

6.1 Executive Officer's Report.

Steve Lucas summarized the Executive Officer's Report and provided updates.

6.2 Correspondence – None

7. ADMINISTRATION – None

8. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:21 a.m. to the Thursday, August 2, 2018 regularly scheduled meeting. **The July 5, 2018 meeting has been cancelled.**

LOCAL AGENCY FORMATION COMMISSION



By: Stephen Lucas, Executive Officer

Minutes prepared by Joy Stover, Commission Clerk