MEMORANDUM

TO: Local Agency Formation Commission
FROM: Stephen Lucas, Executive Officer
SUBJECT: LAFCO File No. 17-04MS – Review and Consideration of the Draft Municipal Service Review and Sphere of Influence Plan Update for the City of Chico
DATE: August 30, 2018, for the meeting of September 6, 2018

Summary / Background

Why: As a part of the adoption of the City of Chico General Plan 2030, the City evaluated growth areas that would be necessary to accommodate the anticipated growth of the City over the buildout period of the General Plan and these growth areas were targeted for inclusion into the City's Sphere of Influence (SOI) update currently being reviewed. To demonstrate support for these growth areas, the City concurrently initiated an update of its Municipal Services Review (MSR) to accurately describe current City service capabilities necessary to support new growth.

How: The City and LAFCO entered into a Letter Agreement that would cause the City to submit a MSR/ SOI update request to be funded by the City and to be prepared by a consultant acceptable to both the City and LAFCO. The City entered into a contract with Policy Consulting Associates to research and prepare the MSR/ SOI update. This was a collaborative effort that provided much critical analysis resulting in a very candid review of City services and growth projections.

What is Requested: The City of Chico (City) is proposing to add approximately 2,816 acres (predominantly one large 1,448 acre parcel), to the City’s Sphere of Influence (SOI) in order to accommodate future population growth (2030) of a conservatively estimated 12,000 people and the need for approximately 7,000 new housing units (high estimates reach 22,000 people and 11,500 housing units). To support the SOI update, the City’s existing Municipal Service Review (MSR) has been updated to reflect the current state of City services.

What is Required: The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, local agency SOI's (California Government Code §56425(g)) and to conduct a MSR for each agency prior to, or in conjunction with, an agency’s SOI update (California Government Code §56430(a)).

The Draft MSR/ SOI Plan was circulated for a 30 day noticed public review period that began on June 28, 2018, and ended on July 27, 2018. As of the date of this report, only one comment regarding the draft documents has been received. Any comments received after the date of this report will be provided to the Commission prior to or at the Commission’s September 6, 2018, meeting.

Action Requested: Receive presentation from consultant, accept public comments and adopt Resolution 04 2018/19 (Attachment C) approving the MSR/ SOI update and the proposed SOI Plan, which includes changes to the City's SOI, subject to any changes that the Commission may direct. The Final SOI Plan will include the adopting resolution and a copy of any comments received in regards to the draft document.
Municipal Service Review Update

The Cortese-Knox-Herzberg Act requires that a Municipal Service Review (MSR) be conducted prior to, or in conjunction with, the update of an entity's Sphere of Influence (SOI). A MSR is a comprehensive, contemporary analysis of service provision by each of the special districts and cities within the legislative authority of the LAFCo. It essentially evaluates the capability of an agency to deliver the services it is empowered to provide. The following City services/functions were individually evaluated by the MSR:

- Airport
- Fire Protection
- Parks and Recreation
- Law Enforcement
- Streets
- Solid Waste
- Stormwater
- Wastewater

In addition to these focused services, the MSR also reviews the City's:

- Governance/Administrative functions
- Finances
- Growth/Population Expectations

Of the services evaluated, most were determined to have few significant concerns, however, Staff has the following observations on specific topic areas:

General:

- The City provided an abundance of information for the consultant and Staff to evaluate and therefore the MSR provides a candid view of the City's organization and services. Overall, the City has a high level of transparency in its basic operations and the ease of availability foundational City organizational and growth planning documents and plans.

- The City’s General Plan encourages 1) compact urban development to limit farmland and habitat conversion, make efficient use of available infrastructure and public services, and reduce air pollution, 2) infill and redevelopment, and 3) complete neighborhoods to promote livability and safety. The City has put into practice measures to encourage desired development and the results are that the City of Chico's current and proposed SOI's are fundamentally unchanged from the original 1985 SOI when the City population was under 40,000 or less than half of the current population of approximately 90,000. Said another way, Chico has doubled its population without doubling its size.

Growth/Population:

- The 2030 General Plan assumed the City’s historic growth rate of two percent would continue resulting in an estimated 40,262 new residents in approximately 16,300 new dwelling units by the year 2030. Slower growth rates have been realized meaning the City’s population in 2030 will very likely be significantly less (106,827 to 114,460 people) than that projected in the General Plan (139,713 people).

- Within the City’s proposed SOI there is 28,096 acres of land, of which 4,607 acres or 16 percent is vacant and available for new development. Given past absorption rates, the vacant land supply is more than adequate (predicted to be beyond 20 years) for projected future need. The “readiness” of the land for immediate development, as well as the availability of larger parcels, however, remains a concern.
**Determination 6-2: Vacant Land Inventory**

Within the City's proposed SOI and boundaries there is 4,607 acres or 16 percent of vacant land available for new development. The "readiness" of the land for immediate development, as well as the availability of larger parcels, however, remains a concern.

**Determination 6-3: Vacant Land Capacity**

The City has demonstrated that the residential capacity of the territory within the proposed SOI and current city limits is estimated to be absorbed within the next 15 years based on an assumed two percent annual growth rate. Using Chico's 1.2 percent annual growth rate experienced over the past five years and expected for the foreseeable future, the residential capacity would be absorbed over approximately 26 years. The capacity of vacant commercial, industrial, governmental, and parks lands is also considered to be adequate for the planning period identified in the 2030 City's General Plan.

**Governance:**

- The City of Chico operates a well organized agency that provides a large level of accountability to its residents through an interactive website, the publication of numerous studies and guiding documents and accessible staff. Of interesting note is a proposal to convert at-large council elections to individual smaller districts that represent neighborhoods or other logical geographically similar areas. Such a change would fundamentally alter the way elections are prosecuted and reduce the expenses now necessary to compete in an at-large election where costs can easily surpass $100,000.

**Determination 4-1: Accountability**

The City of Chico demonstrated accountability and transparency in its various aspects of operations. The governing body updates constituents, solicits constituent input, posts public documents on its website, and appropriately responds to requests for information. The City also demonstrates accountability to its constituents through complying with the Brown Act, i.e. conducting open meetings for boards and commissions and public noticing.

**Determination 4-4: Elections**

Seven City Council members are elected at-large to staggered four-year terms. There has been a proposition from a community group to elect each council member by district instead of at-large but no action towards the implementation of this proposition has been taken to date.

**Determination 5-1: Management Practices**

The City implements best management practices including evaluating employees annually, tracking staff and city productivity on time sheets and in annual reports, reviewing city performance during the budget process, preparation of budgets and audits as required, master planning for future service needs, and maintaining a multi-year capital improvement plan.

**Finances:**

- The City of Chico, like all other cities in the State of California, suffered the devastating impacts that the prolonged recession had on the economy, with FYs 12-13 and 13-14 being the most challenging times. One positive outcome of this financial crisis was the spotlight placed on the City’s finance practices and structural accountability within the organization. The City has been gradually recovering from the financing challenges. Chico has eliminated a general fund unassigned deficit of over $8 million it had at the end of FY 12-13 to create an unassigned
positive fund balance at the end of FY 16-17 of $2.5 million including reserves for emergencies and compensated absences. The City has implemented numerous measures to address the fiscal distress and promote recovery, including establishing new financial policies, cutting costs where possible, restructuring staffing, renegotiating retirement and benefits contributions, and implementing new technology to increase efficiency. Although Chico made significant financial improvements and is working towards restoring prudent financial reserves, there continue to be financial challenges, which are reflected in decreased service levels. Key Determinations are:

**Determination 7-2: Fiscal Health**

The City has recovered to a baseline of acceptable service levels, but has not returned to pre-recession service levels. Chico must address increasing capital maintenance needs and future unfunded liabilities. The City has implemented administrative and organizational measures to ensure that protections are in place to prevent future fund deficits and weather future economic fluctuations.

**Determination 7-3: Financial Distress Indicators**

Chico’s two main areas of fiscal concern, as determined by the California League of Cities diagnostic tool, are fixed costs and labor costs due to the projected increase in the CalPERS retirement costs, and balancing the budget with temporary funds due to the lack of full funding to cover deferred maintenance costs. The City should additionally be vigilant of net operating deficits, ensuring that adequate funds are set aside to meet the desired reserve level, finding adequate funds to fully fund necessary capital improvements, and continue to seek funding levels to ensure service level solvency.

**Determination 7-7: Reserve Levels**

Currently, the City’s level of reserve funds is lower than the desired levels for its general fund. Therefore, the City remains vulnerable to economic downturns, legislative or legal challenges to City funding streams, or other unforeseen occurrences (e.g., natural disasters) that could significantly impact the City’s sources and uses of funding. The City is planning to gradually increase its emergency reserve until the reserve target (20 percent of the General Fund operating expenditures) is met in FY 23-24. The operating reserve is targeted at 7.5 percent of the General Fund operating expenditures and is also currently under the targeted level.

**Street Services:**

- Overall, the City’s roadway condition has been increasingly deteriorating and is currently at a Pavement Condition Index (PCI) of 57/100, which falls into the fair category. Broken down by category, 70% of streets are considered good to excellent, however, 30% are poor to very poor condition. The City struggles with extensive deferred maintenance, limited staff capacity to address service demand, and continuing funding constrains. Maintenance needs are further exacerbated by the condition of roads within areas that have been annexed by Chico over time. The funding required to address the deferred maintenance and improve the condition of City streets is currently not being budgeted by the City. At present the City allocates approximately $2-2.5 million annually, well short of the projected $8 million necessary to maintain the status quo. Key Determinations are:
**Determination 13-2: Streets Infrastructure Needs**

To reach the appropriate level of pavement condition where most pavement sections require only minor preventive maintenance every five years, the budget needs analysis determined a need of approximately $25 million per year between 2016 and 2020. Due to the fact that Chico’s road condition has further deteriorated from 2015 to 2018, the required budget to achieve a PCI over 70 would be much larger than previously calculated. Given that financing for this amount is not currently available, the Pavement Management Plan recommends a stop gap measure of at least $8 million per year to start mitigation measures. Roadway annual maintenance costs, however, have been annually underfunded and are currently not meeting the recommended amount.

**Determination 13-3: Streets Service Adequacy**

Based on the PMP, the City’s current average Pavement Condition Index (PCI) is 57 on a 100-point scale where streets with 90-100 points are in excellent condition, with 70-89 points in very good condition, with 50-69 in good condition, with 25 to 40 in poor condition, and with 0-24 points in very poor condition. The ideal PCI in order to keep up with preventative maintenance standards is a minimum of 80. Extensive deferred maintenance, limited staff capacity to address demands, and continuing funding constraints reduce the City’s ability to address needs as desired and achieve the ideal PCI in the foreseeable future.

**Parks and Open Space Services:**

- There is a deficit of developed and undeveloped neighborhood parkland in the City, but a surplus of community parks and accessible greenways. When combined, the standard of 4.0 acres of total community and neighborhood parkland per 1,000 persons is currently met. New parkland acquisition necessitated by new development will be financed by development impact fees. Chico Park and Recreation District (CARD) holds primary responsibility for community and neighborhood parks within the City. The District and the City are working collaboratively to address the current neighborhood park needs.

**Determination 10-5: Parks and Street Trees Deferred Maintenance and Public Safety**

As a result of staffing reductions, the City has been challenged with deferred maintenance and infrastructure deterioration. An increase in unauthorized uses has also impacted public spaces, especially Bidwell Park and the creekside greenways with litter and other debris, vegetation destruction, human defecation, and other hazardous materials from transient encampment. This problem concerning park safety and access attracted considerable public comment and concern.

**Determination 10-7: Parks and Street Trees Service Adequacy**

There is a deficit of developed and undeveloped neighborhood parkland in the City, but a surplus of community parks and accessible greenways. When combined, the standard of 4.0 acres of total community and neighborhood parkland per 1,000 persons is currently met. New parkland acquisition necessitated by new development will be financed by development impact fees.
Fire Protection:

- The Chico Fire and Rescue Department’s continuing funding constraints, increase in call volume and staffing reductions have resulted in reduced capacity, which caused a drop in service levels reflected by the increase in the Insurance Service Office (ISO) rating, response times that exceed the National Fire Protection Association (NFPA) standards and the General Plan goals, station closure, and deferred maintenance. Overall, the 2017 Standards of Response Assessment found that overall the Department is well performing within the current system; the community enjoys high quality services from a professional and well-trained Department. Two specific areas of interest are arson fires and potential fire service reorganization. Arson fires are disproportionately high for the City compared to state averages which has no easy explanation. As to reorganization options, the 2017 Standards of Response Coverage report has not included reorganization of fire services as one of the alternatives for the future service delivery model. However, the City is considering evaluating other service models, including creating a special purpose district that either overlaps the City boundaries, is a regional department, or encompasses the entire County. This analysis, however, will be tempered with several conditions including the fiscal benefit to Chico residents, improvement of overall service to the City, and the capacity of staff to evaluate these alternatives. Key Determinations are:

<table>
<thead>
<tr>
<th>Determination 9-2: Fire Incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City’s share of “intentional” fire incidents is significantly higher than the nationwide average. In 2017, “intentional” incidents in the City of Chico accounted for over 35 percent of all the fire incidents, compared to about four percent nationwide. The Department’s Fire Prevention and Life Safety Bureau is addressing the problem in collaboration with Chico Police Department.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Determination 9-8: CFRD Service Adequacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because of the increase in the call volume and continuing funding constraints that resulted in reduced staffing and station closure, the Department has suffered a reduction in its levels of service reflected by the increase in the ISO rating, response times that exceed the NFPA standards and the General Plan goals, station closure, and deferred maintenance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Determination 9-11: CFRD Standards of Response Coverage Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 2017 Standards of Response Coverage assessment states that overall the Department is well performing within the current system; the community enjoys high quality services from a professional and well-trained Department. The suggested adjustments to improve service adequacy and increase capacity include fire station reorganization, staffing model modification, discontinuing EMS response to lower-acuity medical incidents, and implementing a commercial and residential sprinkler program.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Determination 16-4: Chico Fire Department Resource Sharing Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Given the staffing constraints faced by Chico Fire Department, the City may consider cooperative service agreements of certain operational, management or administrative functions, which has the potential of improving the overall efficiency and effectiveness of emergency services through efficient use of scarce resources. Moving forward with any of these options would be dependent upon the assessment of the City to determine what would be the most beneficial structure.</td>
</tr>
</tbody>
</table>

Law Enforcement:

- For the last several years, CPD has been struggling due to the economic recession, increased demand for services, decreased staffing, and insufficient resources, which led to a decreased level of service. The reduction in law enforcement resources has limited Chico’s ability to be
responsive to more chronic crime issues such as vagrancy, vehicle burglaries, vandalism and bike theft. CPD continues working on improving the level of service offered by enhancing staffing levels, reinstating task forces, and forming strategic partnerships. Staffing has been a major challenge. In recent years, budget reductions resulted in lower numbers of police officers serving the community. While there is a sufficient number of police officers to provide a minimal level of service, it is not suitable for the long-term health of the City. According to city analysis, the reduction in law enforcement resources has limited Chico’s ability to be responsive to more chronic crime issues. Key Determinations are:

**Determination 11-2: Law Enforcement Present Capacity**

CPD’s facilities are generally in good condition and do not present capacity constraint for the operations of the Department. Similar to other city departments, the primary constraint to services is limited staffing levels that have resulted in program cuts. At present, CPD does not have sufficient manpower to provide all services at historical service levels. The reduction in law enforcement resources has limited Chico’s ability to be responsive to more chronic crime issues such as vagrancy, vehicle burglaries, vandalism and bike theft. As the City’s financial position improves and additional funding becomes available, the Department is recruiting to mitigate this constraint.

**Sphere of Influence Plan and Update**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) empowers LAFCo with the responsibility for developing and determining the SOI of each local agency within the county. A SOI is defined as a plan for the probable physical boundaries and service area of a local agency, as determined by LAFCo. The intent of a SOI is to identify the most appropriate areas for an agency’s extension of services in the foreseeable future (i.e., 10-20 year horizon). Accordingly, territory included in an agency’s sphere is an indication that the probable need for service has been established, and that the subject agency has been determined by LAFCo to be the most logical service provider for the area. It is important to understand there is no particular "right” methodology in determining the size of a SOI as each agency has unique variables of population growth, service delivery, land uses, and geography that play a role in determining an appropriate SOI.

**What is Requested**

The Sphere of Influence for the City of Chico was first adopted in 1985 as a part of the Chico Area Sphere of Influence Study and consumed the majority of the developed/urban area surrounding the City (Exhibit A). While minor SOI amendments were made over time, the City’s SOI has remained virtually unchanged since the 1985 SOI Plan was adopted aside from increased development in the unincorporated urban area around the City. Chico’s existing Sphere of Influence (Exhibit B) is currently approximately 4,160 acres in size (excluding the area within the current City jurisdictional boundaries, which is approximately 21,120 acres in size). The City is requesting that an additional 2,816 acres be added to the current SOI in order to accommodate growth expectations. The majority of this proposed SOI is represented by three Special Planning Areas (SPA), the 1,448 acre Doe Mill/Honey Run SPA, the 398 acre Bell Muir SPA and the 340 acre North Chico SPA.

<table>
<thead>
<tr>
<th>Description</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Chico jurisdictional boundaries</td>
<td>21,120</td>
</tr>
<tr>
<td>Current Chico SOI (excluding City boundaries)</td>
<td>4,160</td>
</tr>
<tr>
<td>Area proposed to be added to the existing Chico SOI</td>
<td>2,816</td>
</tr>
<tr>
<td>Total Size of Updated Chico SOI</td>
<td>6,976</td>
</tr>
</tbody>
</table>
General Observations:

- As shown on the following maps of the Chico Urbanized Area (Exhibit A) and the Proposed Sphere of Influence Map (Exhibit B), the City of Chico has maintained a compact urban form and continues to develop in an orderly manner without obvious boundary stretches.

- The City General Plan has effectively provided land for appropriate and reasonable growth without the tendency of some cities to overreach or pad their sphere of influence beyond what is supported by growth projections.

- The City and LAFCO have undertaken an annexation effort that has eliminated many developed unincorporated islands with only three significant islands remaining, the Chapman/Mulberry Neighborhood (to be annexed 2020), the 600 acre North Chico Area (annexation effort underway) and the Forest Avenue neighborhood (no current activity).

- The City has consistently supported the Greenline and resisted efforts to develop beyond it.

**Present and Planned Land Use:**

In order to assess the growth and development potential in the City of Chico, it is essential to consider several factors, including: 1) land use designations, 2) special land use limitations, and 3) improved and vacant land. The City of Chico’s current General Plan has a planning horizon of 2030, and has 19 land use designations that help guide development, including six residential, four commercial, three office and industrial, three public and open space, and three overlay or special designations. The chart below shows the amount of acreage by percentage in each category and how much of that acreage is considered vacant/undeveloped.

<table>
<thead>
<tr>
<th>Land Use Designation</th>
<th>Acreage</th>
<th>Vacant (excluding SPAs)</th>
<th>Vacant Acreage in SPAs*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Acres</td>
<td>% of Total</td>
<td>Acres</td>
</tr>
<tr>
<td>Very Low Density Residential</td>
<td>1,546</td>
<td>7.4%</td>
<td>466</td>
</tr>
<tr>
<td>Low Density Residential</td>
<td>5,035</td>
<td>24.2%</td>
<td>579</td>
</tr>
<tr>
<td>Medium Density Residential</td>
<td>1,097</td>
<td>5.3%</td>
<td>244</td>
</tr>
<tr>
<td>Medium High Density Residential</td>
<td>773</td>
<td>3.7%</td>
<td>133</td>
</tr>
<tr>
<td>High Density Residential</td>
<td>11</td>
<td>0.1%</td>
<td>4</td>
</tr>
<tr>
<td>Residential Mixed Use</td>
<td>76</td>
<td>0.4%</td>
<td>14</td>
</tr>
<tr>
<td>Neighborhood Commercial</td>
<td>96</td>
<td>0.5%</td>
<td>36</td>
</tr>
<tr>
<td>Commercial Service</td>
<td>204</td>
<td>1.0%</td>
<td>23</td>
</tr>
<tr>
<td>Commercial Mixed Use</td>
<td>61</td>
<td>3.0%</td>
<td>80</td>
</tr>
<tr>
<td>Regional Commercial</td>
<td>410</td>
<td>2.0%</td>
<td>83</td>
</tr>
<tr>
<td>Office Mixed Use</td>
<td>390</td>
<td>1.9%</td>
<td>49</td>
</tr>
<tr>
<td>Industrial Office Mixed Use</td>
<td>127</td>
<td>0.6%</td>
<td>58</td>
</tr>
<tr>
<td>Manufacturing &amp; Warehousing</td>
<td>1,304</td>
<td>6.3%</td>
<td>387</td>
</tr>
<tr>
<td>Public Facilities and Services</td>
<td>2,052</td>
<td>9.8%</td>
<td>N/A</td>
</tr>
<tr>
<td>Primary Open Space</td>
<td>5,206</td>
<td>25.0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Secondary Open Space</td>
<td>1,704</td>
<td>8.2%</td>
<td>N/A</td>
</tr>
<tr>
<td>Special Mixed Use (Meriam Park)</td>
<td>197</td>
<td>0.9%</td>
<td>186</td>
</tr>
<tr>
<td>TOTALS</td>
<td>20,845</td>
<td>100%</td>
<td>2,342</td>
</tr>
</tbody>
</table>

Source: Chico 2030 General Plan, Annual Progress Report, May 2015

*SPA= Special Planning Area
Exhibit A - Urban Area and City SOI

Sources: U.S. Census Bureau, Tiger Files; City of Chico; Esri; BAE, 2018.
The chart above shows that the primary land use in Chico is housing and that into the future significant percentages of vacant lands are designated for much needed housing. Given the slowdown in development activity following the economic recession, the resulting low population growth rate since the General Plan was adopted, and the amount of available land, it is anticipated that ample and diverse housing opportunities exist for the community throughout and beyond the life of the Plan.

The map below (Exhibit C) showing the vacant sites for development within the current City limits is very illustrative of the scarcity of available vacant lands. There are few infill sites left and the unincorporated pockets are largely developed making them costly to annex with little new revenue potential.
Exhibit C Vacant Sites Inventory by Zoning Category

Key Determinations are:

**Determination 3-2: Absorption Capacity**

The City has demonstrated that the residential capacity of the territory within the proposed SOI and current city limits is estimated to be absorbed within the next 15 years based on an assumed two percent annual growth rate. Using Chico’s 1.2 percent annual growth rate experienced over the past five years and expected for the foreseeable future, the residential capacity would be absorbed over approximately 26 years. The capacity of vacant commercial, industrial, governmental, and parks lands is also considered to be adequate for the planning period identified in the City’s General Plan.
The proposed SOI update consists of the addition of six areas to the existing SOI—three Special Planning Areas and three boundary “cleanup” areas. Land use designations within these six areas include residential, commercial, mixed use, industrial-office, public facilities, open space, parks, rural residential, and agricultural. To conserve agricultural resources, the City will be creating a denser and more compact urban form to reduce pressure to expand outward, maintaining the Greenline, which represents a highly successful 30-year boundary between urban and rural uses on the community’s western edge, and establishing appropriate buffers and transitions between urban and agricultural uses.

Present and Probable Need for Public Services and Facilities:

The City proposes to add approximately 2,816 acres (68 percent of the current SOI or 11 percent of the current boundary area and SOI) to its existing sphere of influence (SOI). The City has not significantly expanded its sphere of influence for over 30 years. Future annexation of areas located in the SOI would result in the need for the City to provide a full range of municipal services. The MSR thoroughly described the range and level of services provided by the City and largely demonstrated that while services are not as robust as years past in all categories, the City does provide a basic level of services that could be expected without the benefit of additional revenue, albeit this is often at the mercy of voters wishes.

Determination 3-9: Existing Demand for Services

The MSR demonstrated a high use of all municipal services offered by the City. In general, all City services have experienced heightened demand in recent years, exceptions include the loss of commercial service at the airport and reduced wastewater flows as a result of water conservations efforts.

Determination 3-10: Probable Demand for Services

As territory from the City’s SOI is annexed into the City, Chico will experience an increase in demand for municipal services. In addition to increased demand as a result of City expansion through annexation, the City will continue to experience increased demand for services as a result of natural population growth within its existing boundaries, denser land use practices, and other service specific circumstances, such as abandonment of septic tanks in favor of connection to the City’s sewer system.

Determination 3-11: Level of Services

Development of undeveloped areas of the City’s proposed SOI as envisioned by the City’s General Plan will require a full range of City services and community facilities consistent with the services provided to current City residents.

Present Capacity of Facilities’ and Adequacy of Services:

The MSR clearly demonstrated that many City services experienced a significant decline during and following the recession, largely due to the loss of trained, experienced employees who provided superior levels of service. Sadly, funding constraints will not likely allow a return to prior service levels for some time, if ever. The City has trimmed its budget dramatically and its workforce accordingly, leaving few areas from which to repurpose revenue to other priorities. At a certain point, the City must find "new" revenue to more substantially augment its service capabilities. With this said, the City, through its elected council, sets it priorities and provides the public an acceptable level of services with a few notable exceptions discussed above and in the MSR. Key Determination:
**Determination 3-12: Present Capacity**

Currently, the City has sufficient capacity to provide municipal services to its current service area, albeit in some cases at reduced levels. The capacity of most City departments to maintain service demands has been constrained due to financial limitations associated with the recession, which resulted in the reorganization of several departments, reductions in staffing, and challenges in maintaining service levels. This situation also contributes to the City's reluctance to pursue annexation of all developed areas within its current sphere of influence.

**Determination 3-13: Fiscal Health**

The City is living within its means, and a key Council priority is to build up the City’s financial reserves in order to be prepared for possible future fiscal downturns and to address increasing capital maintenance needs and future unfunded liabilities. The City has implemented measures to ensure that protections are in place to prevent future fund deficits and weather future economic fluctuations.

**Determination 3-16: Facility Planning**

Prior to annexing any areas within its updated SOI, the City will have to budget and plan for future infrastructure and service needs in these areas. The City will be required to provide proof of adequate capacity to deliver municipal services to the annexed areas.

Prior to applying to LAFCo for a SOI update, California Government Code §56425 and Butte LAFCo Policy 3.2.2 require a city to meet with the affected county to discuss the proposed SOI to encourage development within the SOI reflects the concerns of the affected city and promotes the logical and orderly development of areas within the sphere. Accordingly, the City of Chico and Butte County representatives met and discussed the City's General Plan and SOI updates as both the City and County updated their respective general plans.

Pursuant to California Government Code §56425(e), as part of a SOI update, the Commission is required to consider the following five factors and make appropriate determinations in relationship to each of the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Section 3 of the Draft SOI Plan contains a detailed analysis and determinations for each of the five factors. The proposed SOI determinations are attached to this report as Attachment B.

**Butte LAFCo Policies**

Section 3 (Sphere of Influence) of Butte LAFCo Policies provides the standards for determinations regarding spheres of influence. Policy 3.1.4 states that when establishing the boundaries of a
sphere of influence for an agency, LAFCo will consider the factors listed in Section 56425 of the Government Code as well as the factors found in LAFCo Policy 3.1.4.1, which state that LAFCo will discourage including lands in an agency’s sphere of influence that are:

- Unlikely to require the services provided by the agency, for example, lands not designated for inclusion to a city by the applicable general plan;
- Areas where development is constrained by topographical factors;
- Areas where the projected and/or historical growth rates do not indicate a need for service within the time frame of the Sphere Plan;
- Areas in an agency’s sphere of influence which cannot feasibly be served by the agency within a 20 year time frame consistent with the Sphere Plan.

The proposed SOI expansion is consistent with this Policy because:

- The City of Chico’s General Plan shows, and plans for, the proposed growth areas to be annexed to the City within the 20-year time span of the General Plan;
- There are no significant topographical factors that constrain development of the SOI expansion area;
- As shown in the Updated MSR and in the Draft SOI Plan, the City of Chico does plan for, and believes it could feasibly serve, future development in the SOI expansion area barring unforeseen developments or factors out of its immediate control, such as the state/national economy.

Butte LAFCo Policy 3.1.8 states that LAFCo shall not approve a change to a sphere of influence to include lands that are subject to a Williamson Act contract. The City’s current SOI is not impacted any Williamson Act contracts. LAFCo will review all future annexation requests for consistency with the agricultural preservation requirements of the Cortese-Knox-Hertzberg Act and with Butte LAFCo Policies.

Based upon the City’s proposed land use plan for the SOI expansion areas, future urban development within that area will result in the planned, orderly, and efficient development of the area as required by California Government Code §56377. The City of Chico’s proposed SOI expansion represents a logical and reasonable extension of the City boundaries based on local policies and the integrated nature of municipal services within the larger Chico urban area.

**Agricultural Impacts**

Portions of the City’s existing and updated SOI contain prime agricultural lands and are utilized for agricultural purposes.

The City’s 2030 General Plan and the Draft SOI Plan show that portions of the SOI expansion areas are designated for future residential, commercial, public, and industrial uses and future development of the area will result in the permanent conversion of scattered agricultural lands to urban uses. Additionally, future development in the SOI expansion areas may have an impact on adjacent agricultural operations.

The environmental impact report certified by the City of Chico for their 2030 General Plan determined that the impacts to agricultural resources are significant and unavoidable, with no feasible mitigation available. In adopting the 2030 General Plan, the Chico City Council adopted findings of overriding considerations for impacts to agricultural resources.
LAFCo will review all future annexation requests within the City’s SOI for consistency with the agricultural preservation requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Butte LAFCo Policies, and with the goals, programs, and policies contained in the City of Chico’s General Plan. LAFCo will apply a heightened level of review when considering proposals for changes of organization (such as an annexation) that are likely to result in the conversion of prime agricultural/open space land use to other uses. Only if the Commission finds that the proposal will lead to planned, orderly, and efficient development, will the Commission approve such a conversion.

**Future Annexations**

It should be clearly understood that the Commission, in reviewing the supporting environmental documents, is only considering the adoption of the Sphere of Influence Plan, which includes an amendment to the City of Chico’s Sphere of Influence, and not specific annexation proposals or individual development projects that may present specific impacts not associated with the broader policy question at hand. The primary purpose of the Sphere of Influence is to provide guidance for the location of future growth and allow the affected agency to effectively plan for the delivery of services to the proposed growth area. It is not the purpose of the Sphere of Influence Plan to resolve all potential impacts of new development, but to provide guidance for local decision makers in managing growth boundaries of local agencies. The Commission should make it clear to the City that while it accepts the general mitigation measures proposed for the SOI Update, it will not allow the City to solely rely on the General Plan Draft EIR and the General Plan Final EIR for future project-specific impacts. This statement has been included as a condition of approval for the SOI Update.

**Comments to the Draft MSR/SOI Update**

As of the date of this report, one written comment (Attachment D) have been received from Butte County Administration concerning the Draft MSR/SOI Update. The comment noted several minor errors and recommended minor additions which will be made in the final documents. Staff has also found miscellaneous typographical errors in the Draft MSR Update and in the Draft SOI Plan. These errors are minor in nature and will be corrected for the final versions of the MSR and SOI Plan.

Any changes to the Draft MSR and Draft SOI Plan as recommended by the Commission at the September 6, 2018 meeting will be incorporated into the final versions of these documents.

**Environmental Determination**

The California Environmental Quality Act (CEQA) requires that the Commission undertake and review an environmental analysis before granting approval of a project, as defined by CEQA. Butte LAFCo is the Lead Agency for environmental review for the proposed updates to the MSR determinations and acted as a Responsible Agency for environmental review for the SOI Plan/Update. The City of Chico served as the Lead Agency for environmental review for the SOI Plan/Update, conducted in conjunction with the City’s 2030 General Plan update, as requested by LAFCo when the City began its General Plan update process.

The update of the City’s existing MSR is categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 -
Regulation section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." The MSR collects data for the purpose of evaluating municipal services provided by the agency. There is no land use change or environmental impact created by such a study. There is no possibility that the MSR update will have a significant effect on the environment because there are no land use changes associated with the MSR update.

The City of Chico, as Lead Agency for the SOI Plan/Update, prepared the City of Chico 2030 General Plan Draft Environmental Impact Report. The Chico City Council approved the City of Chico 2030 General Plan, certified the 2030 General Plan Final EIR, and adopted Findings of Fact/Statement of Overriding Considerations. Copies of the City’s 2030 General Plan, the 2030 General Plan Draft EIR, the 2030 General Plan Final EIR, and the Findings of Fact/Statement of Overriding Considerations were previously provided to the Commission for consideration.

The City of Chico 2030 General Plan EIR evaluated the potential environmental impacts of implementation of the City’s 2030 General Plan, including adding additional area to the City’s Sphere of Influence to provide for future growth. The EIR identifies potentially significant unavoidable environmental effects, for which the City adopted findings and a statement of overriding considerations.

As responsible agency, LAFCo is required to rely on the City’s environmental documentation in acting on the proposal, but must prepare and issue its own findings. The Commission now has the decision to affirm the environmental documents prepared and adopted by the City of Chico for the City’s 2030 General Plan, which include the SOI Update, or to find that the environmental documents do not adequately address the potential significant impacts to the environment.

In making that determination, the Commission should consider the following direction regarding standards for adequacy of an EIR set forth in the CEQA Guidelines, §15151:

**CEQA Guidelines Section 15151:**

An EIR should be prepared with a sufficient degree of analysis to provide decision makers with information which enables them to make a decision which intelligently takes account of environmental consequences. An evaluation of the environmental effects of a proposed project need not be exhaustive, but the sufficiency of an EIR is to be reviewed in the light of what is reasonably feasible. Disagreement among experts does not make an EIR inadequate, but the EIR should summarize the main points of disagreement among the experts. The courts have looked not for perfection but for adequacy, completeness, and a good faith effort at full disclosure.

Based on the adequacy requirements established in CEQA §15151, staff recommends that the Commission find that the City's General Plan 2030 Draft EIR, the Certified Final EIR, and the Findings of Fact and Statement of Overriding Considerations, provide the Commission with sufficient information to enable them to make a decision that purposefully takes account of environmental consequences and adopts reasonably feasible measures to mitigate the adverse impacts of the Sphere Amendment.
CONCLUSION

The City of Chico’s 2030 General Plan identifies the future land uses within the City’s SOI in order to provide for the future growth of the City. The SOI Plan also anticipates that the City of Chico would have the necessary resources to provide the required municipal services to its existing and proposed SOI area. In addition, the proposed SOI expansion is consistent with the City of Chico’s 2030 General Plan. The proposal substantially conforms to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and with LAFCo policy. The Executive Officer recommends approval of this proposal.

ALTERNATIVES FOR COMMISSION ACTION

After reviewing this report, the proposed MSR Update, the SOI Plan, the Final Environmental Impact Report and other CEQA documentation, and any testimony or materials that are presented, the Commission can take one of the following actions:

OPTION 1

APPROVE the MSR Update and approve the Sphere of Influence Plan for the City of Chico, as may be modified by the Commission and with the changes as identified in this report, as follows:

A. Acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, find that the Municipal Service Review Update for the City of Chico is Categorically Exempt from the provisions of CEQA under Section 15306, "Information Collection."

B. Determine that the City of Chico, as Lead Agency, prepared and certified the Environmental Impact Report for the City of Chico 2030 General Plan and adopted Findings of Fact and a Statement of Overriding Considerations.

C. Certify that LAFCO has reviewed and considered the information contained in the EIR prepared and certified by the City of Chico and in the City’s CEQA documentation. Affirm the Findings of Fact and the Statement of Overriding Considerations as approved by the City of Chico.

D. Find that the Sphere of Influence Plan prepared for the City of Chico is complete and satisfactory and achieves consistency with LAFCo and State SOI policies and statutes.

E. Find that the proposed update to the Municipal Service Review for the City of Chico and the written determinations in the Sphere of Influence Plan satisfy State Law.

F. Adopt Resolution 04 2018/19 (Attachment C) approving the Municipal Service Review Update for the City of Chico and approving the Sphere of Influence Plan for the City of Chico, which includes adding area to the City’s Sphere of Influence as shown on Figure 3-2 of the SOI Plan.

G. Direct staff to prepare a Final Updated MSR and a Final SOI Plan, which will include the adopting resolution and any comments received with regards to the draft SOI Plan.
OPTION 2  CONTINUE this proposal to a future meeting for additional information.

OPTION 3  DIRECT Staff to make any Commission-identified changes to the Draft MSR, the Draft SOI Plan, and/or the Draft SOI Map and CONTINUE this proposal to a future meeting to allow time for Staff to make the needed changes and return with revised draft documents for further Commission review.

RECOMMENDED ACTION:

Approve OPTION 1.

Attachments:
A:  Summary of MSR Determinations
B.  Summary of SOI Plan Determinations
C:  Draft LAFCo Resolution No. 07 2018/19
D:  Comments Received
Summary of MSR Determinations

Growth and Population Projections

Determination 6-1: Projected Growth
The City’s General Plan assumes that its historical (prior to 2010) two percent annual population growth will continue through the planning period of the General Plan, which equates to 139,713 city residents by 2030. Given that Chico has experienced a lower growth rate than assumed for the General Plan, the City’s population in 2030 will be very likely be significantly less than projected.

Determination 6-2: Vacant Land Inventory
Within the City’s proposed SOI and boundaries there is 4,607 acres or 16 percent of vacant land available for new development. The “readiness” of the land for immediate development, as well as the availability of larger parcels, however, remains a concern.

Determination 6-3: Vacant Land Capacity
The City has demonstrated that the residential capacity of the territory within the proposed SOI and current city limits is estimated to be absorbed within the next 15 years based on an assumed two percent annual growth rate. Using Chico’s 1.2 percent annual growth rate experienced over the past five years and expected for the foreseeable future, the residential capacity would be absorbed over approximately 26 years. The capacity of vacant commercial, industrial, governmental, and parks lands is also considered to be adequate for the planning period identified in the 2030 City’s General Plan.

Determination 6-4: Vacant Land Development
One key factor that may affect vacant land development is that much of the capacity lies in the special planning areas, which require comprehensive planning that may delay their immediate availability for development. While the General Plan identifies land for future development, it does not direct the timing of development. This may affect the estimated residential absorption rate and cause the City to consider other growth areas to meet its housing goals.

Determination 6-5: Current Population
According to the California Department of Finance, as of January 1, 2016, the estimated population for the City of Chico was 92,464.

Determination 6-6: Historical and Projected Growth Rates
The City assumes a two percent population growth rate in its General Plan; however, this may be an overly optimistic projection considering that between 2010 and 2016 annual population growth for the City ranged from 0.75 to 1.5 percent per year and Butte County Association of Governments conservatively projects growth for the City of Chico to be between 1.2 and 1.6 percent annually through 2040 with a corresponding population increase of approximately 27,222 to 40,179 persons since 2016.

Determination 6-7: Population Characteristics
Students from the California State University at Chico constitute a large portion of the City’s population, which lowers the median age within the city, influences municipal services such as law
enforcement and creates demands on the housing market as the students are generally younger, renters, and with lower incomes. The City has dedicated a substantial area to medium-high residential uses and mixed use to accommodate resident needs.

**Determination 6-9: Recent Growth Trends**

Similar to other areas in the State, the City experienced a significant slowdown in new residential development following the recession. Prior to the economic downturn, the City entitled a significant amount of acreage with approved residential lots. A good amount of those lots remain undeveloped. There are approximately 12,000 approved subdivision lots or allowed units covered under certified Environmental Impact Reports for larger master planned areas like Oak Valley and Meriam Park. Residential demands have transitioned since the recession from new green field single family residences to higher density multi-family units and smaller infill and redevelopment projects.

**Determination 6-10: Future Development Potential**

The City’s recovering demand for residential, commercial, and industrial development projects demonstrates a potential for greater growth in the future than what has been experienced over the last seven years.

**Determination 6-11: Vacancy Rates**

The supply of properties in the City of Chico for rent or purchase is not keeping up with the high demand. This issue is reflective of a statewide housing crisis and lack of lower-priced homes and apartments.

**Determination 6-12: Growth Strategies**

The City’s General Plan encourages 1) compact urban development to limit farmland and habitat conversion, make efficient use of available infrastructure and public services, and reduce air pollution, 2) infill and redevelopment, and 3) complete neighborhoods to promote livability and safety. The City has put into practice measures to encourage desired development.

**Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence**

**Determination 6-8: Disadvantaged Unincorporated Communities**

There are 12 DUCs within the proposed Chico SOI. Two of these DUCs (Mulberry and Chapman) are to be annexed by the City in 2020.

**Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies**

**Determination 5-1: Management Practices**

The City implements best management practices including evaluating employees annually, tracking staff and city productivity on time sheets and in annual reports, reviewing city performance during the budget process, preparation of budgets and audits as required, master planning for future service needs, and maintaining a multi-year capital improvement plan.

**Determination 8-1: Airport Infrastructure Needs**
Infrastructure needs at the airport consist of reconstruction of the taxiway hotel, holding apron, a portion of the aircraft parking apron, taxiway alpha, and one of the runways. These projects are dependent on grant funding for completion.

**Determination 8-2: Airport Present and Planned Capacity**

Demand at the Chico Municipal Airport averages about 137 aircraft operations each day. The airport appears to have excess capacity to handle a commercial air craft carrier, as the airport was until recently handling the demand of United/Sky West commercial flights. However, if an airline commences services at the airport with larger commercial aircraft, the terminal may require expansion to accommodate passengers and security. There are no funded plans for expansion of the airport at this time.

**Determination 8-3: Airport Financial Solvency**

The airport’s expenses outpace revenues, and CMA is struggling with a financial deficit that is being subsidized by the General Fund. The City Council and Airport Commission are working together to determine how to bring back fiscal stability to the airport. The City is also actively seeking to restore commercial air service at CMA.

**Determination 8-4: Airport Service Adequacy**

Services at Chico Municipal Airport are adequate based on Federal Aviation Administration standards of infrastructure condition and safety history. Chico Municipal Airport has been maintained in generally good condition with no accidents having occurred as a result of airport staff error or airport infrastructure malfunction.

**Determination 9-1: CFRD Demand for Service**

The vast majority of the Chico Fire and Rescue Department’s service calls (approximately 75 percent) are for rescue and emergency medical services. Calls for fire service constitute about two to four percent of the Department’s total call volume.

**Determination 9-2: Fire Incidents**

The City’s share of “intentional” fire incidents is significantly higher than the nationwide average. In 2017, “intentional” incidents in the City of Chico accounted for over 35 percent of all the fire incidents, compared to about four percent nationwide. The Department’s Fire Prevention and Life Safety Bureau is addressing the problem in collaboration with Chico Police Department.

**Determination 9-3: CFRD Mutual Aid**

CFRD does not have significant and timely automatic aid capacity as similarly situated municipalities may enjoy in a metropolitan area. The fact that considerable risk is present within the City, and particularly unprotected risk in the downtown corridor, the City has to carry the full burden of providing an effective firefighting force.

**Determination 9-4: CFRD Staffing Levels**

The Department experienced a reduction of over 40 percent in its full-time workforce since 2006 when the last MSR was adopted.

**Determination 9-5: CFRD Response to Medical Emergencies**

Firefighters arrive at medical emergencies ahead of the ambulance over 90 percent of the time. One of the Department’s future goals is to upgrade dispatch service to include Emergency Medical Dispatching and Fire Priority Dispatching. Ways to coordinate ambulance locations within fire stations will be evaluated as part of the more encompassing analysis of EMS services that the Department provides.
Determination 9-6: CFRD Infrastructure Needs

The City’s Public Facilities Finance Plan based on the General Plan projections and goals outlines numerous future infrastructure needs particularly with regard to Stations 1, 2 and 7 that would be dependent on actual development and population growth. The 2017 Standards of Response Coverage assessment recommends reducing the number of stations to four by closing Stations 3 and 4, and constructing a new station near now-closed County Station 42.

Determination 9-7: CFRD Dispatch Needs

Due to funding constraints CFRD lacks an efficient dispatching system, which results in inefficiencies, duplication of services by fire and police units, an increase in costs, and a decrease in service reliability. When funding permits, the City will hire a communications consultant to analyze all possible solutions.

Determination 9-8: CFRD Service Adequacy

Because of the increase in the call volume and continuing funding constraints that resulted in reduced staffing and station closure, the Department has suffered a reduction in its levels of service reflected by the increase in the ISO rating, response times that exceed the NFPA standards and the General Plan goals, station closure, and deferred maintenance.

Determination 9-9: CFRD Existing Capacity

CFRD has limited capacity to address current service demand, further exacerbated by the closure of County Station 42, due to limited financing resulting in a reduction in staffing and station closure. Reduced capacity to provide services is reflected in the decrease in service adequacy.

Determination 9-10: CFRD Planned Capacity

As Chico grows, the City will require additional station space/station reorganization, an additional fire station, and a significant investment in apparatus and equipment. Future needs for additional facilities and equipment are informed by the Public Facilities Finance Plan and the recently completed Standards of Response Coverage assessment. The timeline for the necessary improvements will be adjusted as needed and in accordance with actual future development and population growth necessitating these improvements.

Determination 9-11: CFRD Standards of Response Coverage Assessment

The 2017 Standards of Response Coverage assessment states that overall the Department is well performing within the current system; the community enjoys high quality services from a professional and well-trained Department. The suggested adjustments to improve service adequacy and increase capacity include fire station reorganization, staffing model modification, discontinuing EMS response to lower-acuity medical incidents, and implementing a commercial and residential sprinkler program.

Determination 10-2: Park and Recreation Maintenance Capacity

Maintenance and enhancement of Bidwell Park has been reduced by financial constraints over the past decade and has resulted in degradation of resources and the presence of unauthorized uses that go unabated, such as camping and nighttime use. Aside from maintenance concerns, there are also community concerns over public safety in the parks.

Determination 10-3: Parks and Street Trees Present Capacity

Staffing constraints due to a lack of funding are the primary capacity constraint for the Parks and Street Trees Divisions. Staffing cuts greatly affected the Divisions’ capacity to provide services, which in turn has created deferred maintenance and reduced access to the community’s parks.
**Determination 10-4: Parks and Street Trees Planned Capacity**

Parks Division and Street Trees Division are currently in the process of hiring a senior tree trimmer and a maintenance worker. Both divisions are planning to request funding from the City Council for additional positions to allow for the return of regular facility hours, to perform minimal maintenance and safety, and support basic park projects and volunteer efforts, as well as minimum staffing for using the boom truck and safely work off of the ground and quicker response to emergencies.

**Determination 10-5: Parks and Street Trees Deferred Maintenance and Public Safety**

As a result of staffing reductions, the City has been challenged with deferred maintenance and infrastructure deterioration. An increase in unauthorized uses has also impacted public spaces, especially Bidwell Park and the creekside greenways with litter and other debris, vegetation destruction, human defecation, and other hazardous materials from transient encampment. This problem concerning park safety and access attracted considerable public comment and concern.

**Determination 10-6: Parks and Street Trees Infrastructure Needs**

Chico park infrastructure standards and needs are outlined in the Chico Area Recreation and Park District (CARD) Park and Recreation Master Plan. These needs are to be further detailed in the City’s Nexus Study that is underway. The City’s CIP plans for annual improvements and maintenance of park facilities and street trees through 2025. It is unclear if the amount the City has dedicated to improvements and maintenance over the next 10 years will be sufficient to address the maintenance backlog.

**Determination 10-7: Parks and Street Trees Service Adequacy**

There is a deficit of developed and undeveloped neighborhood parkland in the City, but a surplus of community parks and accessible greenways. When combined, the standard of 4.0 acres of total community and neighborhood parkland per 1,000 persons is currently met. New parkland acquisition necessitated by new development will be financed by development impact fees.

**Determination 11-2: Law Enforcement Present Capacity**

CPD’s facilities are generally in good condition and do not present capacity constraint for the operations of the Department. Similar to other city departments, the primary constraint to services is limited staffing levels that have resulted in program cuts. At present, CPD does not have sufficient manpower to provide all services at historical service levels. The reduction in law enforcement resources has limited Chico’s ability to be responsive to more chronic crime issues such as vagrancy, vehicle burglaries, vandalism and bike theft. As the City’s financial position improves and additional funding becomes available, the Department is recruiting to mitigate this constraint.

**Determination 11-3: Law Enforcement Infrastructure Needs**

The most pressing infrastructure need for CPD has been a second radio channel. The project is very close to completion, and is awaiting the final installment of key equipment. To address increased demand associated with future development, the Department will likely need a new larger headquarters to house all staff, which will be partially paid for by collection of development impact fees.

**Determination 11-5: Law Enforcement Service Challenges**

For the last several years, CPD has been struggling due to the economic recession, increased demand for services, decreased staffing, and insufficient resources, which led to a decreased level of service. To overcome these challenges, the Department is forming strategic partnerships, as in the case with the University and Butte County, to reduce calls for service and increase efficiency,
has shaped a coordinated vision for the future, and come up with a staffing strategy to pair with its Community Policing philosophy. At the core of the City's identified policing approach are two elements: 1) rebuilding adequate response to patrol and investigative units and 2) reestablishing proactive units to engage with the community in jointly prioritized activities.

**Determination 11-6: Law Enforcement Service Adequacy**

CPD has faced a staffing challenge that has lowered the level of services it had historically been able to provide. However, the Department has worked hard to ensure that the safety of the public is protected by focusing on Priority 1 calls and maintaining a reasonably adequate response time to those calls. The Department’s response to a high number of calls for service in 2017 and 2018 is a further indication of active and engaged law enforcement department. Majority of these calls were for lower priority crimes, which reflects the CPD's increase in resources dedicated to this type of crime. Additional staffing is necessary in order to reinitiate and strengthen several of the services that were cut or diminished in the last few years. Additional staffing will also be necessary to reach staffing levels that are comparable to other similar service providers and to address population increases.

**Determination 11-7: Law Enforcement Service Adequacy**

During the period of extreme fiscal constraint, cutbacks forced CPD to focus on the Priority 1 calls for violent crimes in action, while low-level quality of life crimes became of a lower importance. CPD keeps working to improve the level of service offered by enhancing staffing levels and reinstating task forces that focus on the less prioritized crimes. Offense rates show that property crimes (low level quality of life crimes) in general have declined in recent years, which may be the result of the City’s attempts to reinstitute these programs. In particular, the City needs to address the increasing levels of rape, motor vehicle theft, and arson.

**Determination 12-1: Solid Waste Present and Planned Capacity**

The two private haulers are responsible for ensuring adequate hauling capacity to serve the City. Similarly, capacity at the Butte County landfill is not under the jurisdiction of the City of Chico. The City's Compost Facility appears to have sufficient capacity at present to continue services in the short term; however, as the City grows, expansion or relocation of the compost facility will be necessary.

**Determination 12-2: Solid Waste Infrastructure Needs**

Federal Aviation Administration (FAA) has found that the green waste facility violates standard clearances for visual and electronic signal interruption of its Ground Based Navigational Aid System (NAVAIDS). The City is assessing options to address violations of standard clearances for visual and electronic signal interruption of the navigational system at the Chico Municipal Airport by the compost facility.

**Determination 12-3: Solid Waste Service Adequacy**

The City's solid waste services are adequate based on a lack of recent violations at the compost facility and achieving the state mandated diversion rate.

**Determination 13-1: Streets Infrastructure Needs**

Due to the rapidly deteriorating condition of its roadways, the City is prioritizing roadway maintenance and advance preventative measures such as crack sealing and overlays.

**Determination 13-2: Streets Infrastructure Needs**

To reach the appropriate level of pavement condition where most pavement sections require only minor preventive maintenance every five years, the budget needs analysis determined a need of
approximately $25 million per year between 2016 and 2020. Due to the fact that Chico’s road condition has further deteriorated from 2015 to 2018, the required budget to achieve a PCI over 70 would be much larger than previously calculated. Given that financing for this amount is not currently available, the Pavement Management Plan recommends a stop gap measure of at least $8 million per year to start mitigation measures. Roadway annual maintenance costs, however, have been annually underfunded and are currently not meeting the recommended amount.

**Determination 13-3: Streets Service Adequacy**

Based on the PMP, the City’s current average Pavement Condition Index (PCI) is 57 on a 100-point scale where streets with 90-100 points are in excellent condition, with 70-89 points in very good condition, with 50-69 in good condition, with 25 to 40 in poor condition, and with 0-24 points in very poor condition. The ideal PCI in order to keep up with preventative maintenance standards is a minimum of 80. Extensive deferred maintenance, limited staff capacity to address demands, and continuing funding constraints reduce the City’s ability to address needs as desired and achieve the ideal PCI in the foreseeable future.

**Determination 13-4: Streets Service Present Capacity**

Due to ongoing budget constraints, the City struggles with keeping up with the increased work requests and demands as the City continues to grow and the streets age and deteriorate. Deferred maintenance has accumulated and aggregate street condition has further deteriorated from 2015 to 2018 based on the decrease in PCI from 61 to 57. Funding required for a PCI increase is currently not being budgeted by the City.

**Determination 13-5: Streets Service Planned Capacity**

The City has a prioritized list of street projects to be completed over the next 10 years; however, capital outlays on the street system will likely be limited to the highest priority projects and most necessary maintenance given budget constraints.

**Determination 14-1: Stormwater Staffing Capacity**

With decreased staffing caused by prior and existing fiscal constraints, the Street Cleaning Maintenance Division lacks adequate resources to fully inspect and maintain the entirety of the system.

**Determination 14-2: Stormwater Present Capacity – Manpower**

Limited staffing levels pose a constraint on providing stormwater services, as the City strives to keep up with increased work requests and demands while the City continues to grow. The City lacks adequate staffing resources to fully inspect and maintain the entirety of the system and faces challenges in monitoring and reporting the Stormwater Management Program and MS4 permit requirements. Despite the reported challenges to maintain and track the Stormwater Program on a daily basis, the City continues to make improvements.

**Determination 14-3: Stormwater Present Capacity – Peak Flows**

The stormwater infrastructure is a work in progress. The City experiences localized flooding during major storm events as a result of inadequate storm drain networks to handle peak storm flows. Installation of additional storm drain inlets and piping is a priority for the City so that urban runoff can be properly captured and discharged into local waterways. In many instances inlets have gravel bases to only handle percolation of stormwater into the ground.

**Determination 14-4: Stormwater Present Capacity - Infrastructure**

For the most part, infrastructure has sufficient capacity, with some exceptions in the older neighborhoods where portions of the collection system lack capacity to handle flow, which has led
to shallow sheet flooding. Additionally, there is the potential for flooding for portions of Comanche Creek and Little Chico Creek under a 100-year storm event.

**Determination 14-5: Stormwater Infrastructure Needs**

In many areas annexed to the City, there are minimal or ineffective drainage improvements that result in frequent street flooding, which causes hazards to bicyclists and pedestrians, impedes access to homes, and affecting street side parking. The City does not have a reliable source of funding to address this issue in a comprehensive way.

**Determination 14-6: Stormwater Infrastructure Needs**

The City has outlined infrastructure needs related to its stormwater and drainage services in its 2000 Storm Drain Master Plan. The Plan recommends $236 million of projects for the storm drain system. Although some of the improvements proposed by the original SDMP and the 2000 update have been completed, a majority of the identified needs remain current.

**Determination 14-7: Stormwater Service Adequacy**

The City's MS4 permit is segmented into five-year increments with each year having specific tasks to be completed within the prescribed year. At the beginning of the third year of the permit, the City had been unable to meet all of the requirements of the permit, due to staffing and funding constraints. Improvements to stormwater service levels could be made with additional financial and staff capacity. In lieu of additional staff, the City attempts to organize the program in a manner that allows staff to prioritize efforts on the most critical items.

**Determination 15-2: Wastewater Collection Present Capacity**

In general, the City's sewer collection system has sufficient capacity to convey current peak wet weather flows (PWWFs) without exceeding the established flow criterion with certain exceptions. There are a few areas that exceed allowable flow at times and the Chico Municipal Airport Lift Station has inadequate capacity at peak wet weather flows. The City has identified mitigation measures to address these issues.

**Determination 15-3: Wastewater Treatment Present Capacity**

At present, the City makes use of approximately 63 percent of its average dry weather capacity at the treatment plant, which indicates substantial existing treatment capacity. While the City's peak wet weather flows greatly exceed the plant's permitted flows, it does not indicate a capacity concern, as wet weather flows can be diverted or stored until there is sufficient capacity at the plant.

**Determination 15-4: Wastewater Planned Capacity**

As the City continues to grow, wastewater flows will also increase. As such, there are some areas of the existing collection system that cannot convey the peak wet weather flow. The City has planned necessary improvements that will be conducted in four phases. Similarly, the City has plans for expansion of the treatment plant to increase capacity to handle increased flow associated with future development. The timing will be dependent on speed of new development.

**Determination 15-5: Wastewater Infrastructure Needs**

The majority of infrastructure needs identified for the wastewater system are driven by future development, which consist of new sewers that serve future growth or improvements to existing facilities that are needed to serve future growth. When fully implemented, the capital projects will allow the conveyance of PWWFs to the WPCP during buildout conditions, including connection by all properties currently operating with private septic systems within the City.

**Determination 15-6: Wastewater Service Adequacy**
Based on the City’s sewer system overflow rate, infiltration and inflow peaking factor, and compliance with effluent standards, wastewater services appear to be adequate. However, the City struggled to comply with regulatory requirements in 2013, which resulted in several enforcement actions. The City has made efforts to comply with chlorine level limitations since then.

**Determination 15-7: Wastewater Nitrate Compliance Plan Effectiveness**

The City, in cooperation with Butte County should evaluate the effectiveness of the Chico Nitrate Plan based on actual connections made rather than by the availability of sewer. Approximately 6,634 homes have access, but have not connected, which indicates many homeowners either find the cost too great to afford, or have no particular incentive to connect and begin paying monthly sewer fees. The current system of sewer vouchers may be replaced with a first-come first-served approach, which is likely to increase the connection rates.

**FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES**

**Determination 7-1: Economic Recovery**

Chico’s local economy is showing signs of economic recovery, as evidenced by the increases in locally-generated revenues over the last five fiscal years, including sales taxes, property taxes, and transient occupancy taxes. In addition, other key economic factors are showing slow but steady growth for the City, such as a decline in the unemployment rate and increased local construction. Despite the increase in construction, however, there is still a lack of affordable housing in the City of Chico, which is reflective of the statewide housing crisis.

**Determination 7-2: Fiscal Health**

The City has recovered to a baseline of acceptable service levels, but has not returned to pre-recession service levels. Chico must address increasing capital maintenance needs and future unfunded liabilities. The City has implemented administrative and organizational measures to ensure that protections are in place to prevent future fund deficits and weather future economic fluctuations.

**Determination 7-3: Financial Distress Indicators**

Chico’s two main areas of fiscal concern, as determined by the California League of Cities diagnostic tool, are fixed costs and labor costs due to the projected increase in the CalPERS retirement costs, and balancing the budget with temporary funds due to the lack of full funding to cover deferred maintenance costs. The City should additionally be vigilant of net operating deficits, ensuring that adequate funds are set aside to meet the desired reserve level, finding adequate funds to fully fund necessary capital improvements, and continue to seek funding levels to ensure service level solvency.

**Determination 7-4: Financial Position in FY 16-17**

The financial standing of the City of Chico has improved over the last fiscal year due to an increase in revenue, in particular tax revenue, charges for services, and grants and contributions. The General Fund balance increased from a deficit balance of ($7,665,659) to a positive balance of $8,976,764 over the last five fiscal years as a result of an increase in revenue, cost containment efforts, and new budgetary policies. The City’s overall fund balance has also been steadily growing over the past three fiscal years.

**Determination 7-5: Charges for Services/Development Impact Fees**
The City charges fees for various services that it provides. The City appropriately charges development impact fees (DIFs) as a condition of new development. Chico is in the process of updating its DIF report due for presentation to the City Council in 2018.

**Determination 7-6: Reserve Practices**

In order to build reserves, the City has developed fiscal policies to ensure that City funds do not fall into a deficit position and that new revenue sources, one-time revenue sources, and annual cost savings are prioritized to reduce current deficits and build reserves.

**Determination 7-7: Reserve Levels**

Currently, the City’s level of reserve funds is lower than the desired levels for its general fund. Therefore, the City remains vulnerable to economic downturns, legislative or legal challenges to City funding streams, or other unforeseen occurrences (e.g., natural disasters) that could significantly impact the City’s sources and uses of funding. The City is planning to gradually increase its emergency reserve until the reserve target (20 percent of the General Fund operating expenditures) is met in FY 23-24. The operating reserve is targeted at 7.5 percent of the General Fund operating expenditures and is also currently under the targeted level.

**Determination 7-8: Capital Improvement Planning**

The City plans well ahead to ensure high priority capital projects are planned for and funded. Chico has adopted a 10-year capital improvement plan included in City budgets and updated annually. However, it continues to struggle with deferred maintenance as a result of budget cutbacks necessitating delayed improvements, which could bring about the need for costlier capital improvements in the future. The City is also challenged with replacement of its capital improvement funding lost due to the elimination of redevelopment agencies. A significant future capital improvement liability will likely be presented by the annually underfunded Public Works services such as roadway maintenance.

**Determination 7-9: Service Efficiencies and Cost-Cutting Measures**

As a result of reduced revenues, the City has been working within a constrained budget, which necessitated implementing numerous measures to cut costs where possible, finding inventive ways to increase efficiency, and identifying new financing sources. Cost cutting measures have included elimination of 59 full-time equivalents or 14 percent of the workforce from FY 11-12 to FY 16-17. Efficiencies have been gained through several IT improvements, such as an online license program, an electronic staff time keeping system, and a new operating platform to promote connectivity.

**Status of, and Opportunities for, Shared Facilities**

**Determination 10-1: Parks Facility Sharing and Collaboration**

The City works with CARD to coordinate provision of the parks and recreation services throughout the Chico area. Both agencies work with Chico Unified School District to enhance availability of park areas and recreational opportunities to the public. The City also collaborates with Chico State University on the Urban and Community Forestry Green House Gas Reduction Fund Initiative and to increase the use of the Children's Playground neighborhood park by students and faculty. All four public agencies should maximize public open space and indoor/outdoor recreation facilities as they all are funded by the community at large and could be better integrated.

**Determination 11-1: Law Enforcement Facility Sharing and Collaboration**

Chico Police Department (CPD) collaborates closely with Chico State University Police Department through a Memorandum of Understanding to coordinate response in and around the campus areas. CPD also works closely with several agencies in Butte County as part of an MOU to
campaign against driving under the influence, the county narcotics task force, and in cooperation with Butte County Department of Behavioral Health. Long-standing collaboration with the Butte County Sheriff’s Office (BCSO), District Attorney’s Office, Butte County Probation Department, and California Highway Patrol are realized almost daily in the City of Chico.

**Determination 11-4: Law Enforcement Facility Sharing Opportunities**

There is the potential for CPD and Chico Fire Department to share the new larger headquarters facility; however, the costs for a joint facility have not yet been calculated.

**Determination 15-1: Wastewater Facility Sharing**

The City of Chico’s Water Pollution Control Plant accepts supernatant from the Butte County Landfill through an agreement, which accounts for 0.09 percent of capacity.

**Determination 16-3: Chico Fire Department Facility Sharing Opportunity**

The City may also consider the option of contracting with CAL FIRE for fire dispatch services.

**Determination 16-7: Library Facility Sharing Opportunity**

The City may also consider the option of contracting with CAL FIRE for fire dispatch services.

**Determination 16-4: Chico Fire Department Resource Sharing Options**

Given the staffing constraints faced by Chico Fire Department, the City may consider cooperative service agreements of certain operational, management or administrative functions, which has the potential of improving the overall efficiency and effectiveness of emergency services through efficient use of scarce resources. Moving forward with any of these options would be dependent upon the assessment of the City to determine what would be the most beneficial structure.

**ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES**

**Determination 4-1: Accountability**

The City of Chico demonstrated accountability and transparency in its various aspects of operations. The governing body updates constituents, solicits constituent input, posts public documents on its website, and appropriately responds to requests for information. The City also demonstrates accountability to its constituents through complying with the Brown Act, i.e. conducting open meetings for boards and commissions and public noticing.

**Determination 4-2: Compliance with Legal Requirements**

Councilmembers comply with ethics training and economic interest disclosure requirements. The City has adopted a policy for expense reimbursements and a conflict of interest code.

**Determination 4-3: Transparency**

The City demonstrated transparency by readily cooperating during the MSR process. The City provided requested information and provided input throughout the review process.

**Determination 4-4: Elections**

Seven City Council members are elected at-large to staggered four-year terms. There has been a proposition from a community group to elect each council member by district instead of at-large but no action towards the implementation of this proposition has been taken to date.

**Determination 6-11: Annexation Plan**

The City and LAFCo have made great efforts to cooperatively come to an agreement to address a number of issues relating to the extension of city sewer to county properties (to support the Nitrate
Compliance Program). The City and LAFCo are encouraged to continue these efforts to develop an annexation plan as outlined in the Sewer Service Extension and Annexation Agreement.

**Determination 16-1: Chico Airport Governance Structure Options**

There is the option of privatizing a portion or all of airport services, likely through service or management contracts. Feasible options will be dependent on further cost/benefit analysis.

**Determination 16-2: Chico Fire Department Governance Structure Options**

The City is considering evaluating other service models, including creating a special purpose district that either overlaps the City boundaries, is a regional department, or encompasses the entire County.

**Determination 16-4: Chico Fire Department Resource Sharing Options**

Given the staffing constraints faced by Chico Fire Department, the City may consider cooperative service agreements of certain operational, management or administrative functions, which has the potential of improving the overall efficiency and effectiveness of emergency services through efficient use of scarce resources. Moving forward with any of these options would be dependent upon the assessment of the City to determine what would be the most beneficial structure.

**Determination 16-5: Chico Law Enforcement Governance Structure Options**

A service structure option to address staffing constraints at the Chico Police Department may be partially alleviated by closer collaboration with the University Police Department in the form of joint divisions or greater support to areas around the campus. Another option may be closer collaboration with the Butte County Sheriff’s Department.

**Determination 16-6: Chico Park Governance Structure Options**

Transferring ownership of the remaining City-owned parks to CARD over time is an option. The transfer plan may be developed in a similar manner to the existing Memorandum of Understanding between the two agencies.

**Determination 16-7: Chico Annexation Planning**

The City is encouraged to work cooperatively with Butte LAFCo on an annexation program (that would include an estimated timeline for annexation) for remaining islands within its SOI, as well as other unincorporated areas within the City’s SOI prioritizing those that are expected to connect to the City sewer system in the coming years.

**Determination 16-8: Stormwater Restructuring Options**

With a substantial portion of the three County Service Areas (CSAs) within the jurisdictional boundaries of the City, it would be logical for the City of Chico to assume full responsibility for maintenance of the stormwater drainage infrastructure within CSAs 23, 24 and 25, in which case they would be subsequently dissolved. This option is contingent upon the parties reaching a reasonable financing solution.

**Determination 16-9: Wastewater Restructuring Option**

The City of Chico is considering receiving wastewater flow from the Town of Paradise commercial core to be treated at the City’s Wastewater Pollution Control Plant. Feasibility studies are currently being conducted by Paradise.

**Determination 16-10: Library Facility Sharing Opportunity**

As the City’s financial situation improves, Chico should reconsider financial support for the Chico Branch of the County Library.
Summary of SOI Plan Determinations

Determination 3-1: Land Use Designations

The City of Chico and its proposed SOI include 19 land use designations, including six residential, four commercial, three office and industrial, three public and open space, and three overlay or special designations. The predominant land use type is residential.

Determination 3-2: Absorption Capacity

The City has demonstrated that the residential capacity of the territory within the proposed SOI and current city limits is estimated to be absorbed within the next 15 years based on an assumed two percent annual growth rate. Using Chico's 1.2 percent annual growth rate experienced over the past five years and expected for the foreseeable future, the residential capacity would be absorbed over approximately 26 years. The capacity of vacant commercial, industrial, governmental, and parks lands is also considered to be adequate for the planning period identified in the City’s General Plan.

Determination 3-3: Agricultural Uses

While limited in size and number relative to the City as a whole, there are agricultural or agricultural-supporting land uses within the City. Prime and Unique Farmland accounts for 426 acres located within the City boundaries. The proposed SOI outside of the City boundaries consists of 736 acres of Prime Farmland and 66 acres of Unique Farmland.

Determination 3-4: Land Use of Proposed SOI

The proposed SOI update consists of the addition of six areas to the existing SOI—three Special Planning Areas and three boundary “cleanup” areas. Land use designations within these six areas include residential, commercial, mixed use, industrial-office, public facilities, open space, parks, rural residential, and agricultural. To conserve agricultural resources, the City will be creating a denser and more compact urban form to reduce pressure to expand outward, maintaining the Greenline, which represents a highly successful 30-year boundary between urban and rural uses on the community’s western edge, and establishing appropriate buffers and transitions between urban and agricultural uses.

Determination 3-5: Agricultural Conversion

The City's General Plan designates residential and mixed-use land uses in its areas designated as Important Farmland within the proposed SOI, for a total conversion of 1,042 acres of Prime Farmland and 26 acres of Unique Farmland. The impact is considered by the General Plan Environmental Impact Report to be significant and unavoidable with no feasible mitigation measures to entirely avoid related impacts.

Determination 3-6: Williamson Act Lands

All lands subject to Williamson Act contracts in the City's Planning Area are outside of the proposed SOI. Development within the proposed SOI would avoid the loss of farmlands subject to Williamson Act contracts.
**Determination 3-7: Agricultural Buffer**

No new development in areas that have retained agricultural land use designation (excluding the Bell Muir SPA) and no significant agricultural/urban interface conflicts exist. Bell Muir SPA will be developed consistent with existing rural residential development and ongoing agricultural uses in the area to mitigate the effects of urban encroachment and create an agricultural buffer.

**Determination 3-8: LAFCo Review**

To address the loss of prime agricultural lands to future annexations to the City of Chico, the LAFCo review process at the time of annexation will include a project-specific assessment of the loss of prime farmland and determine appropriate mitigation measures, if any. LAFCo will consider its policies regarding the conversion of prime farmland and the City’s adopted policies and programs for mitigating impacts to and the loss of prime farmland within its sphere of influence.

---

**Determination 3-9: Existing Demand for Services**

The MSR demonstrated a high use of all municipal services offered by the City. In general, all City services have experienced heightened demand in recent years, exceptions include the loss of commercial service at the airport and reduced wastewater flows as a result of water conservation efforts.

**Determination 3-10: Probable Demand for Services**

As territory from the City’s SOI is annexed into the City, Chico will experience an increase in demand for municipal services. In addition to increased demand as a result of City expansion through annexation, the City will continue to experience increased demand for services as a result of natural population growth within its existing boundaries, denser land use practices, and other service-specific circumstances, such as abandonment of septic tanks in favor of connection to the City’s sewer system.

**Determination 3-11: Level of Services**

Development of undeveloped areas of the City’s proposed SOI as envisioned by the City’s General Plan will require a full range of City services and community facilities consistent with the services provided to current City residents.

---

**Determination 3-12: Present Capacity**

Currently, the City has sufficient capacity to provide municipal services to its current service area, albeit in many cases at reduced levels. The capacity of most City departments to maintain service demands has been constrained due to financial limitations associated with the recession, which resulted in the reorganization of several departments, reductions in staffing, and challenges in maintaining service levels. This situation also contributes to the City’s reluctance to pursue annexation of all developed areas within its current sphere of influence.

**Determination 3-13: Fiscal Health**

The City is living within its means, and a key Council priority is to build up the City’s financial reserves in order to be prepared for possible future fiscal downturns and to address increasing capital maintenance needs and future unfunded liabilities. The City has implemented measures to ensure that protections are in place to prevent future fund deficits and weather future economic
fluctuations. Although Chico made significant financial improvements and is working towards restoring prudent financial reserves, there continue to be financial challenges, which are reflected in decreased service levels.

**Determination 3-14: Service Adequacy**

The City has recovered to a baseline of acceptable service levels, but has not returned to pre-recession service levels. Certain departments for which funding is primarily derived from property and sales tax revenues, face greater challenges than others. The public safety, parks and street trees, and stormwater departments/divisions have more readily identifiable capacity concerns, compared to other departments, as defined by prolonged response times, elimination of certain services, deferred maintenance, and self-reported inability to keep up with demand. The City requires additional staff and infrastructure capacity to address current and anticipated demand for all municipal services.

**Determination 3-15: Planned Facility Capacity**

The City of Chico prepared a Public Facilities Assessment and Fiscal Impact Analysis, which provides a long-range view of potential facility needs, describes the anticipated facilities and improvements that may potentially take place to support buildout of the Chico’s General Plan, estimates the costs of providing these facilities, and identifies potential facility funding mechanisms. In addition, the City has an adopted development impact fee program that requires new development to pay fees for facility improvements to accommodate Chico’s growth and expansion into new areas. The City will be adjusting the timeline as development occurs and implementing such improvements as needed.

**Determination 3-16: Facility Planning**

Prior to annexing any areas within its updated SOI, the City will have to budget and plan for future infrastructure and service needs in these areas. The City will be required to provide proof of adequate capacity to deliver municipal services to the annexed areas.

**Determination 3-17: General Plan Infrastructure Policies**

The City has an adopted policy framework in its General Plan that guides service facility planning and addresses potential infrastructure needs associated with new development. These policies are designed to aid Chico in ensuring that adequate services are provided to new growth areas.

---

**Existence of any social or economic communities of interest**

**Determination 3-18: Communities of Interest**

Social and economic communities within the City’s SOI include the City of Chico and multiple smaller communities, including residents, businesses, and organized community groups, as well as unincorporated areas and islands that have substantive social and economic ties with the City and are affected by the City’s land use decisions, development activity, and boundary and SOI reorganizations. Other communities of interest unique to the City of Chico include properties within its SOI that will be connecting to the City’s sewer system with subsequent annexation.

---

**Present and probable need for water, wastewater, and structural fire protection facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence**

**Determination 3-19: Disadvantaged Unincorporated Communities**
According to the California Department of Water Resources, there are 12 Census tracts and block groups, parts of which are located within the City’s sphere of influence and considered to be disadvantaged unincorporated communities (DUCs).

**Determination 3-20: DUCs within Proposed SOI**

No DUCs were identified within the proposed SOI expansion area.

**Determination 3-21: Need for Services within DUCs**

All the backbone services (water, wastewater, and fire protection) are currently provided within the identified DUCs. However, because certain areas surrounding the City lack sufficient wastewater services and/or are utilizing septic tanks causing groundwater contamination, some of the properties within the DUCs may need to connect to the city sewer system prior to annexation. Other municipal services provided by the City of Chico will be extended to DUCs upon annexation.

**Determination 3-22: Annexation**

Prior to future annexations, documentation as to the presence of DUCs adjacent to, or nearby, an annexation proposal shall be submitted to LAFCo for evaluation and possible action.
RESOLUTION NO. 04 2018/19

ADOPTION OF A MUNICIPAL SERVICE REVIEW UPDATE
FOR THE CITY OF CHICO AND
ADOPTION OF A SPHERE OF INFLUENCE PLAN/UPDATE
FOR THE CITY OF CHICO

RESOLVED, by the Butte Local Agency Formation Commission of the County of Butte, State of California, that

WHEREAS, a proposal for an update to the City of Chico’s Sphere of Influence was heretofore requested by the City of Chico and accepted by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 of the Government Code; and

WHEREAS, the City of Chico identified a need to update and amend the City’s Sphere of Influence to accommodate the anticipated growth of the community projected in the City of Chico 2030 General Plan, adopted by the Chico City Council in 2011 and amended in 2017; and

WHEREAS, a service review mandated by Government Code Section 56430 was conducted by the Local Agency Formation Commission of the County of Butte (hereinafter referred to as “the Commission”) for the City of Chico in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, a sphere of influence update mandated by Government Code Section 56425 has been prepared by the Commission for the City of Chico in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including his recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, a public hearing by this Commission was called for September 6, 2018, and at the time and place specified in the notice of public hearing; and

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes, objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the proposal, in evidence presented at the hearing; and
NOW, THEREFORE, the Local Agency Formation Commission of the County of Butte DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Findings

A. The City of Chico, as Lead Agency, prepared a Draft Environmental Impact Report and certified the Final Environmental Impact Report for the City of Chico 2030 General Plan and adopted Findings of Fact and a Statement of Overriding Considerations.

B. The Commission has reviewed and considered the Draft and Final Environmental Impact Reports for the City of Chico 2030 General Plan, which includes an analysis of the proposed City of Chico Sphere SOI update. The Final Environmental Impact Report consists of the following:

(1) Revisions to the Draft Environmental Impact Report prepared by the City of Chico as Lead Agency.

(2) A list of persons, organizations and public agencies commenting on the Draft Environmental Impact Report

(3) Comments received by the City of Chico on the Draft Environmental Impact Report either verbatim or in summary.

(4) Responses to the comments received on the Draft Environmental Impact Report.

C. The Commission certifies that it has held a duly noticed public hearing and heard testimony and received written comments from affected agencies at a noticed public hearing and has responded to those comments.

D. The Commission affirms the Final Environmental Impact Report for the City of Chico 2030 General Plan and finds that in accordance with CEQA Guidelines Section 15090, the Final Environmental Impact Report for the proposed Sphere of Influence Plan has been completed in compliance with CEQA and was presented to the Commission and the Commission reviewed and considered the information contained in the Final Environmental Impact Report and comments on the Final Environmental Impact Report prior to approving the project.

E. In accordance with CEQA Guidelines Section 15090, the Final Environmental Impact Report reflects the Lead Agency’s independent judgment and analysis.

F. The implementation of the City of Chico 2030 General Plan and the proposed Sphere of Influence Plan will have a significant effect on the environment in certain respects, but for which no feasible mitigation is available to reduce the impacts, as identified in the Final EIR and in the Findings of Fact and Statement of Overriding Considerations adopted by the City of Chico.

(1) With respect to the significant, unavoidable impacts detailed in the Final Environmental Impact Report and found to be relevant to the Commission’s
action and based on the information set forth in the Final Environmental Impact Report, the Commission finds and determines that:

(a) No measures have been required in or incorporated into the project to mitigate conversion of prime agricultural land to nonagricultural uses during the 2010-2030 planning period, as identified in the Final Environmental Impact Report and the Findings of Fact and Statement of Overriding Considerations.

H. Statement of Overriding Considerations: Pursuant to Section 15093 of the CEQA Guidelines, the Commission finds that the economic and social benefits of the proposed project documented in the City of Chico 2030 General Plan, the Final Environmental Impact Report, the City of Chico 2030 General Plan Findings of Fact and Statement of Overriding Considerations, and the Sphere of Influence Plan, such as expanding the housing opportunities and economic growth opportunities in the City of Chico, outweigh the adverse impacts of the conversion of prime agricultural land, an impact which cannot be eliminated or reduced to a level that is less than significant and which is unavoidable as the City grows.

I. A categorical exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that the Municipal Service Review Update for the City of Chico is categorically exempt from CEQA and such exemption was adopted by this Commission on September 6, 2018; and

Section 2. Findings for Adoption of the Sphere of Influence Amendment

A. The Commission has considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, Sphere of Influence and General Plan consistency, and other factors specified in Government Code Sections 56425 and 56428 and as described in the staff report dated August 30, 2018, for the meeting of September 6, 2018, in that:

(1) The Commission has considered the present and planned land uses in the area, including agricultural and open space lands as described in the Butte County General Plan Land Use and Agricultural Elements and the City of Chico 2030 General Plan Land Use Element and the Open Space, Natural Resources and Conservation Element.

(2) The Commission has considered the present and probable need for public facilities and services in the area as described in the City of Chico SOI Plan and the City of Chico 2030 General Plan.

(3) The Commission has considered the present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide as described in the updated City of Chico Municipal Service Review, the SOI Plan, and the City of Chico 2030 General Plan.

(4) The Commission has considered the existence of any social or economic communities of interest in the area and received as testimony in public hearings.
(5) The Commission has considered the conversion of prime agricultural lands as constituent of the Final Environmental Impact Report and through the adoption of Overriding Considerations Findings in Section 1.G of this resolution.

Section 3. Terms and Conditions adopted by LAFCo

Pursuant to its authority under Part 2, Chapter 4 of the Cortese-Knox Local Government Reorganization Act of 2000, Butte LAFCo incorporates the following terms and conditions into the Sphere Plan for the City of Chico:

1. All Commission fees must be paid in full prior to the new sphere of influence becoming effective.

2. LAFCo will apply a heightened level of review when considering proposals for changes of organization (such as an annexation) that are likely to result in the conversion of prime agricultural/open space land use to other uses. Only if the Commission finds that the proposal will lead to planned, orderly, and efficient development, will the Commission approve such a conversion.

3. The Commission has accepted and affirmed the Final Environmental Impact Report for the City of Chico 2030 General Plan, which is a general policy level action intended to provide a broad discussion of growth boundaries and potential impacts. The City should not expect to solely rely on the 2030 General Plan Final Environmental Impact Report to support or mitigate all project specific impacts identified during the annexation process.

WHEREAS, the Sphere of Influence Plan determinations for the City of Chico are made in conformance with Government Code Section 56425 and local Commission policy and are included in Attachment B to this Resolution; and,

WHEREAS, based on presently existing evidence, facts, and circumstances considered by this Commission, including the findings as outlined above, the Commission adopts written determinations as set forth. The Commission adopts the SOI Plan for the City of Chico and updates the sphere of influence for the City of Chico by adding approximately 2,816 acres, to the City’s SOI, as depicted in Figure 3-1 of the SOI Plan, adopted by the Commission on September 6, 2018; and,

NOW, THEREFORE, BE IT RESOLVED, that pursuant to powers provided in §56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Local Agency Formation Commission of the County of Butte adopts the Municipal Service Review Update for the City of Chico. Furthermore, pursuant to powers provided in §56425, the Commission adopts the SOI Plan for the City of Chico and updates the existing sphere of influence for the City of Chico, as depicted on Figure 3-2 of the City of Chico SOI Plan, adopted by the Commission on September 6, 2018.
PASSED AND ADOPTED by this Local Agency Formation Commission of the County of Butte, on the 6th day of September 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINS:

ATTEST:

Clerk of the Commission

CARL LEVERENZ, Chair
Butte Local Agency Formation Commission
Comments Received

From the County of Butte submitted via email 7/26/18:

Figure 3-1:
- The legend should say, Butte County Fire Station instead of CDF Station.
- Fire Station 42 is still on the map, which was closed and remains a volunteer station.
- The map appears to be missing Station 41.
- The Butte County Sheriff’s Office Substation should probably be listed on the map.

Figure 3-3:
- The SOI (unincorporated) for Fire Protection lists City of Chico, CALFIRE/Butte County Fire Department. This should be, City of Chico, Butte County Fire Department.
- Commercial Solid Waste Disposal lists Neal Road Landfill. This should say, Neal Road Recycling and Waste Facility.