MEMORANDUM

TO: Local Agency Formation Commission
FROM: Craig Sanders, Deputy Executive Officer
       Stephen Lucas, Executive Officer
SUBJECT: 18-03 – Drainage and Reclamation Districts Municipal Service Reviews
         and Sphere of Influence Plans
DATE: May 30, 2018, for the meeting of June 7, 2018

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO to
review and update, as necessary, local agency Spheres of Influence (SOIs) (California
Government Code Section 56425(g). In addition, LAFCO is required to conduct a Municipal
Service Review (MSR) for each agency prior to, or in conjunction with, an agency's SOI update
(California Government Code Section 56430(a)).

LAFCo Staff has prepared an individual MSR and SOI Plan for 5 Drainage Districts and 3
Reclamation Districts within Butte County. All of the District MSRs/SOI Plans are contained within
one combined document for ease of use by the public and agency staff alike. A draft of the
document was provided to all of the districts at the same time the document was released for a 21-
day public review period that began Thursday, May 17, 2018. As of the date of this report, no
comments on the public review draft have been received.

Staff recommends that the Commission adopt Resolution 16 2017/18 (Exhibit A) approving the
Butte County Drainage and Reclamation District MSRs/SOI Plans, subject to any changes that the
Commission may direct. The Final MSR/SOI Plan document will include the adopting resolution
and a copy of any comments received at the public hearing.

Municipal Service Review/SOI Plan Format

The Drainage and Reclamation District MSR/SOI Plan document consists of an introductory
chapter, a separate MSR/SOI Plan for each district, a glossary and a bibliography. The whole
document provides a complete and comprehensive review of every drainage and reclamation
district for which Butte County is the Principal County.

The introductory chapter explains the MSR and SOI Plan update process and provides the
statutory requirements that the Commission must follow to review and approve the MSRs and SOI
Plans. The introductory chapter contains a review of what special districts are, the services they
provide, how they are managed, and their financing structure. Also included in the introductory
chapter is a summary list that provides basic information about each district including
recommendations/findings.

Each district MSR/SOI Plan section contains:
   • a description of the services provided,
   • a detailed look at finances,
• a map of the district’s jurisdictional and SOI boundaries,
• MSR and SOI determinations specific to the district, and
• findings and recommendations for each district

MSR/SOI Plan Determinations, Findings, and Recommendations

Each district’s plan contains separate MSR and SOI determinations specific to that district. At the end of each section, staff prepared recommended findings and actions for the Commission.

Overall, the majority of the drainage and reclamation districts within Butte County are managed effectively, provide services efficiently, and are fiscally sound. These tend to be the ones that have/own drainage infrastructure and actively engage in maintaining that infrastructure. A few were found to have one or more issues, as indicated below and in more detail in Exhibit B of this report.

It is important to note that while some recommendations have been made for improvements that can be made for a number of districts, most districts are performing their functions satisfactorily and overall, the MSR found no serious or urgent deficiencies to address with the drainage systems.

Districts with Identified Issues

As reflected in the determinations and findings/recommendations that have been made, Staff has identified some larger issues that deserve heightened attention from the Commission. The following provides information on the more significant issues/problems that have been identified.

Governance Issues

Based on the information gathered three districts appear to not be following required election processes for selection of board members and/or are not keeping adequate records of election/appointment procedures. These districts are:

- Drainage District No. 1 - (pg. 2-9, MSR Determination 6-2);
- Drainage District No. 2 - (pg. 3-9, MSR Determination 6-2);
- Butte Creek Drainage District - (pg. 6-8, MSR Determination 6-2);

District Boundary and Sphere of Influence Modifications

As identified in the SOI determinations and in the findings/recommendations found within the MSR/SOI Plan, staff recommends that the district boundary and/or Sphere of Influence for the following districts be modified as indicated below:

- Drainage District No. 2
  - Lies entirely within the district boundary of the Butte Creek Drainage District.
  - Butte Creek Drainage District is a much larger district both in terms of physical area and also financially.
  - Both districts were formed under the same enabling statute and provide similar services.
  - Both districts collect revenue to maintain limited and specific sections of waterways and both contract for all work with third party vendors.
- Both districts administrative functions are managed by the manager of the Western Canal Water District.

**RECOMMENDATION:**

1. Dissolution of Drainage District No. 2 with all revenue and operational responsibilities being transferred to Butte Creek Drainage District. *(See Exhibit 1, figure 3-2, pg. 3-8 of the MSR/SOI Plan).*

2. Consistent with the dissolution recommendation, a Zero Sphere of Influence is recommended for Drainage District No. 2.

**Butte Creek Drainage District**

- Butte Creek Drainage District's boundary also overlaps with a 4,325-acre portion of Drainage District No. 100.
- Butte Creek Drainage District does not perform any maintenance work within the overlap area.
- Drainage District 100 on the other hand, actively maintains drainage facilities throughout their district including the overlap area.
- Both Districts collect money for the maintenance of the Moulton Cut on Butte Creek therefore property owners in the overlap area are contributing twice for this maintenance service.

**RECOMMENDATION:**

1. It is recommended that the overlapping territory be detached from Butte Creek Drainage District and remain in Drainage District 100. *(See Exhibit 2, figure 6-2, pg. 6-10 of the MSR/SOI Plan).*

2. A Minus Sphere of Influence is recommended for Butte Creek Drainage District that removes the overlapping territory from the BCDD Sphere of Influence. *(See Exhibit 2, figure 6-2, pg. 6-10 of the MSR/SOI Plan)*

**Drainage District 200**

- The District has no employees and contracts with Richvale Irrigation District for all maintenance services.
- The District does not own any land or facilities and approximately half of the District territory overlaps with the Richvale Irrigation District. *(See Exhibit 3)*
- The functions performed by the District could reasonably be administered and managed by Richvale Irrigation District, which may simplify the management and coordination of drainage services in the area.
**RECOMMENDATION:**

1. The Boards of both DD200 and RID should consider a reorganization that would dissolve DD200 and annex this area into the RID and make application to LAFCO to accomplish this goal.

**Rock Creek Reclamation District**

- The District provides flood protection services to approximately 4,600 acres of primarily agricultural land and is at, or near its capacity during significant rain events.
- Residential development upstream of the District's managed section of Rock Creek began in the 1980s and 1990s and continuing up to the present.
- Development of homes and roads in the Rock Creek and Keefer Slough watersheds have contributed to increased stormwater flows in Rock Creek.
- The District is seeking ways to reduce peak flows and has studied, at least preliminarily, the construction of drainage detention facilities east of Highway 99 and north of Rock Creek, outside of the District's boundary.

**RECOMMENDATION:**

Because of the potential impacts to the District from continued development upstream and the desire of the District to have detention facilities outside the District an expanded Sphere of Influence is proposed to include part of the North Chico Specific Plan area and lands along Sand Creek which is a tributary to Rock Creek. *(See Exhibit 4, Figure 7-1 on pg 7-2 of the MSR/SOI Plan)*

- Additionally, the District is a recognized Groundwater Sustainability Agency (GSA) pursuant to the 2014 Sustainable Groundwater Management Act (SGMA). This designation requires the District to develop a groundwater sustainability plan (GSP) by 2022. The district is located in the Vina sub-basin of the Sacramento Valley groundwater basin and is a voting member on the Vina GSP governance body.
- There is interest from landowners adjacent to the District to annex into the District to become part of the local groundwater management agency as a way to have more local input to the groundwater plan as well as to receive flood protection benefits.
- These landowners are currently represented by the County of Butte as the agency responsible for representing all "white areas" where no other GSA exists.
- The expanded SOI would add approximately 19,340 acres to the existing 4,647 acre SOI/District boundary.

**PROPOSAL:**

Increase the Sphere of Influence of the District to accommodate the possible annexation of interested landowners into the District for the purpose of attaining greater representation on the District Board of Directors and the proposed Vina GSP governance body. *(See Exhibit 4, Figure 7-1 on pg 7-2 of the MSR/SOI Plan)*
Changes to the Drainage and Reclamation District MSR/SOI Plan

No changes are recommended to the public review draft Drainage and Reclamation District MSR/SOI Plan as of the date of this report. However, comments may be received prior to or at the public hearing, which may warrant changes. If directed so by the Commission, staff will make any needed changes to the final document.

Support/Protest

A legal notice regarding the 21-day public review period for the Drainage and Reclamation District MSRs/SOI Plans and notice of the June 7, 2018, Commission hearing on the MSR/SOI Plan was published in the *Chico Enterprise-Record* on May 17, 2018. The notice and the Draft MSR/SOI Plan were placed on Butte LAFCO’s webpage as well as the Butte County Library. The notice was also posted on Butte LAFCO’s office door and at the Butte County Administration Office. As of the date of this report, no written comments have been received regarding the public review draft.

A copy of the public review draft was provided directly to all of the districts for review and comment.

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 Drainage and Reclamation Districts MSRs and the SOI Plans.

The Municipal Service Reviews for the drainage and reclamation districts are categorically exempt from the preparation of environmental review 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 SOI Plans for the drainage and reclamation districts are categorically exempt from environmental review pursuant to CEQA Guidelines Section 15061(b)(3) – General Rule Exemption, which states that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. As a result of the SOI Plans, one district is proposed to have a “Zero Sphere of Influence,” one district a “Minus Sphere of Influence” and one district an expanded SOI boundary. The changes to the SOIs would not result in any new development and therefore, there are no environmental impacts.

CONCLUSION

The proposal substantially conforms to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and with Butte LAFCO policy. The Executive Officer recommends approval of the Drainage and Reclamation Districts MSRs and SOI Plans as presented.
ALTERTIVNES FOR COMMISSION ACTION

After reviewing this report, the Draft MSRs and SOI Plans, and any testimony or materials that are presented, the Commission can take one of the following actions:

**OPTION 1**  APPROVE the Drainage and Reclamation District MSRs and SOI Plans, as may be modified by the Commission, as follows:

A. Acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, find that the Municipal Service Reviews for the Drainage and Reclamation Districts are Categorically Exempt from the provisions of CEQA under Section 15306, “Information Collection.”

B. Acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, find that the Sphere of Influence Plans for the Drainage and Reclamation Districts are Categorically Exempt from the provisions of CEQA under Section15061(b)(3) – General Rule Exemption.

C. Find that the Drainage and Reclamation District Municipal Service Reviews and Sphere of Influence Plans satisfy State Law.

D. Find that the Drainage and Reclamation District Sphere of Influence Plans are complete and satisfactory and achieve consistency with Butte LAFCo and State SOI policies and statutes.

E. Adopt Resolution 16 2017/18 (Attachment A) approving the Drainage and Reclamation District Municipal Service Reviews and Sphere of Influence Plans.

F. Direct staff to prepare Final MSRs/SOI Plans, which will include the adopting resolution and any comments received with regards to the public review draft MSRs/SOI Plans.

**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 MSRs/SOI Plans 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:  Draft LAFCO Resolution No. 16 2017/18 (Page 6)
B: Salient Recommendations/Findings (Page 8)
Exhibits:

1: Drainage District No. 2 & Butte Creek Drainage District Overlap Map
2: Butte Creek Drainage District & Drainage District No. 100 Overlap Map
3: Drainage District No. 200 & Richvale Irrigation District Overlap Map
4: Rock Creek Reclamation District Proposed SOI Map
RESOLUTION NO. 16 2017/18
ADOPTION OF DRAINAGE AND RECLAMATION DISTRICTS MUNICIPAL SERVICE REVIEWS AND WRITTEN DETERMINATIONS, AND ADOPTION OF SPHERE OF INFLUENCE PLANS

WHEREAS, a municipal service review mandated by Government Code Section 56430 and a sphere of influence update mandated by Government Code Section 56425 for 5 Drainage Districts and 3 Reclamation Districts within the County of Butte have been conducted by the Local Agency Formation Commission of the County of Butte (hereinafter referred to as “the Commission”) 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 and 56430, 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 June 7, 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 comments; the Commission considered all plans and proposed sphere of influence amendments, 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

WHEREAS, acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, the Commission finds that the Drainage and Reclamation Districts Municipal Service Reviews and Sphere of Influence Plans are Categorically Exempt from the provisions of CEQA under Section 15306, “Information Collection” and under Categorically Exempt from the provisions of CEQA under Section15061(b)(3) – General Rule Exemption, respectively; and

WHEREAS, Municipal Service Review determinations for each reviewed District are made in conformance with Government Code Section 56430 and local Commission policy; and

WHEREAS, Sphere of Influence determinations for each reviewed District are made in conformance with Government Code Section 56425 and local Commission policy; 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 modifies the SOI boundaries of 2 drainage districts and 1 reclamation district as identified below and affirms the existing Sphere of Influence boundaries for the remaining districts as shown on the SOI boundary maps found in each MSR/SOI Plan section, dated June 2018. The SOI boundaries to be modified are:

Exhibit A
• Drainage District No. 2 – A Zero Sphere of Influence is adopted reflecting the Commissions determination that the District should be dissolved and the functions of the district be taken over by the Butte Creek Drainage District.

• Butte Creek Drainage District – A Minus Sphere of Influence boundary which has been modified to remove approximately 4,325 acres from the District's Sphere of Influence where the District overlaps with Drainage District No. 100.

• Rock Creek Reclamation District - An expanded Sphere of Influence boundary for the inclusion of an additional 19,340 acres to include lands east of Highway 99 including portions of the North Chico Specific Plan, portions of the Sand Creek watershed and lands west of Highway 99 adjacent to the District relating to the District’s status as a Groundwater Sustainability Agency.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to powers provided in §56425 and §56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Local Agency Formation Commission of the County of Butte adopts written determinations as set forth in the Drainage and Reclamation District Municipal Service Reviews and Sphere of Influence Plans, dated June 7, 2018, and adopts the Drainage and Reclamation District Municipal Service Reviews and Sphere of Influence Plans, adopted by the Commission on June 7, 2018.

PASSED AND ADOPTED by this Local Agency Formation Commission of the County of Butte, on the 7th day of June 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINS:

ATTEST:

__________________________  __________________________
Clerk of the Commission    CARL LEVERENZ, Chair
Butte Local Agency Formation Commission
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<th>Drainage District</th>
<th>Salient Recommendations/Findings</th>
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| Drainage District No. 1 | - Finds the District has not been following the election/appointment requirements as required. Term expiration dates are not readily known for each board member.  
- **Recommends** the District needs to review this issue, make available to its constituents a written policy describing how elections are to be held and when, and hold elections for Board of Directors seats as required by law. |
| Drainage District No. 2 | - Finds that the day-to-day management of the District is performed by the same district manager as the Butte Creek Drainage District.  
- **Recommends** that overall efficiency could be achieved by dissolution of the district and the transference of the assets and responsibilities of Drainage District No. 2 to Butte Creek Drainage District which would provide more efficient and seamless management of the drainage facilities and services in the area. |
| Drainage District No. 200 | - Finds that some efficiencies in management, service delivery may be realized by consolidating Drainage District No. 200 with an adjoining district such as Richvale Irrigation District or Reclamation District 833. However, the District is providing the needed services at a cost that is within its operating revenues and without any apparent service issues. |
| Butte Creek Drainage District | - Finds that the Butte Creek Drainage District boundary overlaps with Drainage District No. 100 and that Drainage District No. 100 provides active maintenance of drainage conveyance facilities in the overlap area while Butte Creek Drainage District does not.  
- Parcels in the overlap area with DD100 are paying twice for the maintenance of drainage infrastructure on Butte Creek including the Moulton Cut.  
- **Recommends** that the District initiate proceedings to detach the overlap area from the District. As part of the proceedings a Sphere of Influence will be adopted which reflects the District boundary as it would be after the detachment. This action provides a more efficient and seamless management of the drainage facilities and services in the area.  
- **Finds** the District does not appear to be holding elections for the appointment of the Board of Directors as required. No by-laws could be found for the District. By-laws are required to be adopted by the principle act.  
- **Recommends** these oversight needs be rectified and elections or appointments conducted so that term expiration dates can be determined for each board member. |
| Rock Creek Reclamation District | - Finds that because of lack of control in the upstream watershed, an expanded Sphere of Influence is appropriate to include areas upstream of the District suitable for the construction of a future off-stream detention facility that would reduce peak stormwater flows in Rock Creek.  
- **Finds** that an economic community of interest exist related to the District’s designation as a groundwater sustainability agency that supports an expanded SOI. |
Drainage District No. 2 and Butte Creek Drainage District Overlapping Territory.

Exhibit 1
Overlapping Territory between Butte Creek DD and DD 100. BCDD territory proposed to be detached.
Overlap Between Drainage District No. 200 and Richvale Irrigation District.
Rock Creek Reclamation District Proposed Sphere of Influence