

**MEMORANDUM  
LOCAL AGENCY FORMATION COMMISSION**

**TO:** Local Agency Formation Commission

**FROM:** Stephen Lucas, Executive Officer

**SUBJECT:** **Agenda Item 4.4 - Paradise Water Planning Issues Discussion**

**DATE:** November 25, 2019 for the meeting of December 5, 2019

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Request

This item has been placed on the agenda at the request of the Commission Chair as a matter of transparency and good government as well as demonstrating support for its Staff as they pursue the issues that the Commission believes are of value. It is acknowledged that not every local agency or their personnel understand or accept the role of LAFCo in the long term rebuilding of the Paradise Ridge and feel the Commission is prematurely involved in such discussions.

Observations - Affected Agencies

Recognizing that the recovery from the Camp Fire is a multi-issue effort that not only involves the most affected local agencies, the Town of Paradise (Town), the Paradise Irrigation District (PID), and the County of Butte, but also LAFCo and the dozen other local agencies that provide government services to the same populations. To a lesser but necessary extent, long term land use planning and service infrastructure issues on the ridge may also influence decisions and have reverberations in the cities of Chico and Oroville where many Camp Fire victims relocated.

Observations - Core Services - Water

While there are many important issues surrounding the rebuilding of the Paradise Ridge (Town of Paradise, Magalia, Paradise Pines), the single biggest issue depending on perspective, may be the restoration, maintenance and long term efficacy of the domestic water supplies provided currently by the Paradise Irrigation District (PID) and the Del Oro Water Company (DOWC). As the issue of water services has the potential to cast a very wide net of issues, impacts and implications, it is all the more critical that every effort is made to *cast an equally wide net in search of new ideas or innovative solutions from the many agencies and individuals affected.*

Observations - Land Use

As the Town rebuilt its administrative/service capacity under emergency footing, it will eventually transition into long term planning discussions and the initiation of a comprehensive update to its 1994 General Plan, which will become the Town's guiding planning document into the future. It is this long term plan that will inform most if not all, critical service issues such as the demand for domestic water, potential new sewer service, and ultimately, what growth levels will materialize over time. The Town's new General Plan will also greatly inform the corresponding required LAFCo growth planning documents, the Municipal Service Review and Sphere of Influence Plan. The Town's General Plan will also have a substantial relationship with the development of master plans for the PID which would ideally be developed to support the growth objectives outlined by the Town Council in the General Plan. And like with the Town,

LAFCo will also be required to prepare a Municipal Service Review and Sphere of Influence Plan for the PID and it will be *fundamentally important that these various growth and planning documents be consistent and mutually supporting.*

### Observations - Water Planning

Well before the Town undertaking an effort to develop its long term planning documents, there has been much discussion in various forums concerning how the PID will remain solvent and viable during the long recovery. Of most import has been the proposed Feasibility Study for a Paradise Irrigation District water service intertie with the California Water Service Company - Chico District. This proposal is ostensibly being purported by some as the most desirable solution for the PID to gain a revenue stream while its customer base increases over the years. Secondly, the proposal has been linked with the idea that it could assist in developing a sustainable Vina groundwater basin. LAFCo staff provided a letter to PID and the County (*LAFCo October 3, 2019 Executive Officer's Report*) which simply advised both agencies of LAFCo's role in extensions of services outside an agencies jurisdictional boundaries.

Aside from the proposed Intertie Feasibility Study discussed above, the PID is also being required to participate in a feasibility study by the State Department of Finance as discussed in their letter of August 14, 2019 (***Attachment 1***) to the PID and in the excerpt below:

The disbursement of these funds to the District is contingent on certain metrics. The first year's disbursement is contingent on the District agreeing to participate in a feasibility study, to be arranged by the State Water Resources Control Board and funded by the state, that will examine the possibility of consolidating the District's operations with one or more neighboring water districts. The second year's disbursement is contingent upon the District's continued participation in the feasibility study.

This letter is brief and vague as to what the feasibility study will examine beyond possible consolidations with other water districts or how that would even be accomplished. In order to better understand the process, Staff communicated with the State Water Resources Control Board (SWRCB) staff as to its intentions. The SWRCB staff indicated the Agency would be developing a scope of work in the near future that would look at all feasible alternatives, not solely consolidations. The scope of work will then guide a third party consultants construction of the feasibility study and a review of consolidation options. LAFCo staff emphasized the incredible and complicated interconnected importance of the Study as it relates to regional water issues and the array of local public agencies that could be effected by the Study. SWRCB staff concurred and would consider the observation when developing the scope of work. *Perhaps the most important aspect of the conversation was the acknowledgement that the process be transparent, all inclusive of affected agencies and ultimately, allowed to be locally debated and any outcome should be approved by our locally elected leaders.*

### Conclusion

- The issue of water availability on the Paradise Ridge long term is perhaps the most critical issue to be addressed.
- The Town and the PID boundaries - with few exceptions - have been purposefully maintained to be coterminous, meaning they have the same constituency but different elected members.
- The Town's recovery efforts are intertwined with the water issue and that the elected Town Council is solely vested with land use authority that will guide the rebuild.

- The PID must find a revenue solution to cover the funding gap it will continue to experience until its customers rebuild.
- While the public water resources available are owned, managed and operated by the PID, the PID is not the only local agency that will be affected by any decisions related to water use on the Ridge and beyond.
- Water resource issues in Butte County are a very serious topic and the dominant local sentiment is that our water resources remain a local, publicly managed resource for the benefit of the public and local users.
- Good government demands that all future discussions concerning regionally inter-connected water issues regardless of locality, should be transparent and seek the collaboration of all directly and indirectly affected local agencies.

### Potential Next Steps

The Commission has indicated a clear interest in this issue and also has a significant role to play in developing future growth and planning documents and the boundaries and services of local agencies on the Paradise Ridge. The Commission also performs a public interest role in seeking information on behalf of the public, providing a forum for useful conversations and developing its neutral, independent views on local issues.

To this end, the Commission could take the following steps:

1. Find that its involvement in the issues described herein are a part of its state mandate and represents a valuable interest in seeking viable, locally supported solutions to local issues. And that this involvement is the responsibility of its Staff to manage and report on and that the Commission fully supports its Staff in these efforts.
2. Direct staff to prepare letters for the Chair's signature to be sent to the *Paradise Irrigation District*, the *State Water Resources Control Board* and the state *Department of Finance* strongly encouraging them to reach out to all affected local agencies and stakeholders when developing scopes of work, requesting comments or holding public meetings related to the water issues discussed herein.
3. Request that the multi-service Town of Paradise remain actively involved in all water planning issues as the elected local agency with primacy over land use issues and the maintenance and development of the Town's circulation and public access infrastructure to include the possible development of a local sewer collection system.

**Action Requested:** Provide direction to staff.

Attachment: 1. Department of Finance letter dated August 14, 2019 and the PID response letter dated August 29, 2019.



GAVIN NEWSOM - GOVERNOR  
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

RECEIVED  
BY: *CC: KEVIN*  
*ROSS*  
*Dustin Cooper / Emily*  
*LA Moe*

August 14, 2019

Mr. Kevin M. Phillips, District Manager  
Paradise Irrigation District  
6332 Clark Road  
Paradise, CA 95969

Dear Mr. Phillips:

As part of the 2019 Budget Act allocation for fire relief efforts, there is \$14,748,660 allocated to offset revenue the Paradise Irrigation District (District) is projected to lose in the 2019-20 and 2020-21 fiscal years because of damage caused by the October 2018 Camp Fire. The authorized backfill for each fiscal year is \$7,374,330, subject to the conditions described below.

The disbursement of these funds to the District is contingent on certain metrics. The first year's disbursement is contingent on the District agreeing to participate in a feasibility study, to be arranged by the State Water Resources Control Board and funded by the state, that will examine the possibility of consolidating the District's operations with one or more neighboring water districts. The second year's disbursement is contingent upon the District's continued participation in the feasibility study.

If this is satisfactory to the District, please send a letter on official letterhead (an emailed .pdf is sufficient) agreeing to participate in the feasibility study and requesting disbursement of the funds. Please use the following address information for the letter:

California Department of Finance  
Attn: Chris Hill, ETHLL Unit  
915 L Street, 10<sup>th</sup> Floor  
Sacramento, CA 95814

The email address for the .pdf document is: [chris.hill@dof.ca.gov](mailto:chris.hill@dof.ca.gov)

In the letter, please also state to whom the payment should be remitted, and include any necessary bank account and/or routing information. Upon our receipt of the letter, we will instruct the State Controller's Office to remit the first fiscal year's relief payment to the District. The second fiscal year's relief payment will be provided after June 30, 2020.

If you have any questions regarding the feasibility study, please contact Sergio Aguilar, Principal Program Budget Analyst, at (916) 324-0043. If you have any questions concerning the relief funding or the distribution process, please contact Chris Hill, Principal Program Budget Analyst, at (916) 445-3274.

Sincerely

ERIKA LI  
Program Budget Manager



## PARADISE IRRIGATION DISTRICT

6332 Clark Road, Paradise CA 95969 | Phone (530)877-4971 | Fax (530)876-0483

August 29, 2019

Via Email and USPS  
Chris.hill@dof.ca.gov

California Department of Finance  
Attn: Chris Hill, ETHLL Unit  
915 L Street, 10<sup>th</sup> Floor  
Sacramento, CA 95814

Dear Mr. Hill:

Thank you for the Department of Finance's letter allocating \$14,748,660 (\$7,374,330 in fiscal years 2019-20 and 2020-21) to Paradise Irrigation District. As you know, these funds are vital to the District's ongoing recovery and rebuilding effort following the devastating November 2018 Camp Fire. The District's banking information for remittance of the 2019-20 funds follows:

Tri Counties Bank  
6848 Q Skyway  
Paradise, CA 95969  
Routing Number:  
General Acct. No.:



Concerning the disbursement of these funds, the Department's letter provides:

*The disbursement of these funds to the District is contingent on certain metrics. The first year's disbursement is contingent on the District agreeing to participate in a feasibility study, to be arranged by the State Water Resources Control Board and funded by the state, that will examine the possibility of consolidating the District's operations with one or more neighboring water districts. The second year's disbursement is contingent upon the District's continued participation in the feasibility study.*

Given the unprecedented scope of the Camp Fire and the roughly 90% loss of PID's customers, PID recognized early on that its financial challenges may extend beyond the state's willingness to provide backfill funding. To that end, the District has been planning for multiple possible future scenarios, including that it may take longer than expected for the community to rebuild to a point where the District is again financially sustained by its in-District customers. For that reason, PID has and will continue to analyze modifying its operations to ensure that it is both financially viable and positioned to provide a safe and affordable drinking water supply for Paradise at whatever

California Department of Finance  
Attn: Chris Hill, ETHLL Unit  
August 29, 2019  
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pace rebuilding occurs. For example, the District, in partnership with Butte County and California Water Service, are preparing a feasibility study analyzing an intertie project that would allow the

District to deliver treated water to the County for use in Cal Water's Chico service area. This potential project would have the dual benefit of providing a revenue source to the District and could be a keystone project in the County's Groundwater Sustainability Plan due in 2022 pursuant to the Sustainable Groundwater Management Act.

The Department's requirement that the District participate in a feasibility study analyzing possible consolidation of operations with other water districts is consistent with what the District is already doing – prudently planning for an uncertain future. The District agrees to participate in the feasibility study and looks forward to partnering with the State Water Resources Control Board, including working out details such as the scope of work for the study, selection of the consultant and administration of that contract, and how to best integrate this work with other studies and potential options available to the District. Ultimately, the residents of Paradise through the elected Paradise Irrigation District Board of Directors will determine what option or options are best suited for the community.

Thank you again for facilitating the disbursement of the much needed backfill funds.

Sincerely,



Kevin M. Phillips  
District Manager