

**MEMORANDUM
LOCAL AGENCY FORMATION COMMISSION**

TO: Local Agency Formation Commission

FROM: Stephen Lucas, Executive Officer

SUBJECT: **Agenda Item 4.4 - City of Oroville - Request for Reduction or Waiver of Municipal Service Review/Sphere of Influence Fees**

DATE: May 28, 2015 for the meeting of June 4, 2015

The City of Oroville has requested (Attachment 1) the Commission reduce or waive the Municipal Service Review/Sphere of Influence (MSR/SOI) fees associated with the for the South Oroville Annexation No.1. The City initiated and the Commission approved the application for the annexation of an approximately 203 acre fully developed disadvantaged unincorporated community on February 5, 2015 which concluded a decade's long effort to fully integrate this community into the City of Oroville. The protest proceedings were completed on April 6, 2015 and which failed to generate sufficient protest to terminate the proceedings. Staff is now in the final steps of concluding the process including collecting any outstanding fees associated with the project.

The annexation application filing fee deposit of \$20,000 was funded by the County of Butte in partnership with the City. The final processing costs for the annexation which included a significant protest proceeding are being tabulated. The MSR/SOI fee for this application is \$20,300 (203 acres x \$100/acre) and was not collected at the time of application as it was uncertain how long the application would take to process or what the final processing costs would be. Now that these costs are mostly known, the City has now requested a formal consideration of the MSR/SOI fee waiver.

A brief history of Commission approved fee waivers are found in the following table:

<i>Year</i>	<i>Name</i>	<i>File</i>	<i>Action Taken</i>
2015	City of Chico - Chapman-Mulberry Annexation	15-17, 15-18	Waiver of sphere fees per Sewer Agreement
2010	City of Biggs - Annexation of Veteran's Memorial Hall	10-04	Waiver of sphere fees in the amount of \$150.
2009	City of Chico – Extension of Services - Bidwell Avenue (Egan)	09-05	Waiver of application fees denied because it was not in the public interest
2007	LOAPUD Lake Oroville State Recreation Area Annexation	08-06	Waiver of application fees denied but approved a waiver of MSR/SOI fees (\$1,740.00)
2005	County of Butte CSA 17 Expansion of Powers (Alley Maintenance)	06-20	Application Fees reduced from \$2,000 to \$1,500 as being in the public interest
2002	Western Canal Water District Annexation	02-06	SOI fee from \$10/acre to \$1/acre for ag water
2001	Butte Water District Annexation	02-09	SOI fee reduced from \$3,710 to \$371.
1999	City of Oroville Annexation Detention Basins	99-14,15	SOI fee waived as being in the public interest
1998	City of Oroville Airport Clear Zone	98-31	SOI fee waived as open space/public interest
1997	City of Chico Lindo Channel	97-28	SOI fee waived as open space/public interest
1996	Biggs-West Gridley/Butte Water District Reorganization	97-08	SOI fee reduced from \$10,000 to \$500.00, no impact to SOI updates
1995	City of Chico Upper Bidwell Park land	95-38	SOI/Application Fee waived as open space/public interest

The current LAFCO Fee Schedule allows the Commission to reduce or waive the MSR/SOI fee for proposals where the Commission determines that:

- The proposal will not significantly impact sphere update responsibilities; and
- The public interest would be served by the waiver.

Staff supports the City of Oroville's MSR/SOI fee reduction/waiver request based on the following:

1. The waiver will not significantly impact MSR/SOI update responsibilities in that the fully developed South Oroville community has been in the City's SOI for 30+ years and the City of Oroville recently completed its MSR/SOI update in November 2014; and
2. The public interest would be served by the waiver because the annexation of the disadvantaged unincorporated community of South Oroville has been a long standing desire of the community and an established goal of LAFCo, the City of Oroville, and County of Butte for decades. The annexation supports the admirable public policy of supporting environmental justice for this community which can now fully participate in the governance of the Oroville community in which it is socially and economically bound.

ALTERNATIVES FOR COMMISSION ACTION

After reviewing this memorandum and any testimony or materials that are presented, the Commission can take one of the following actions:

OPTION 1 – APPROVE the MSR/SOI fee waiver:

- A. The waiver will not significantly impact the ability of LAFCo to update spheres of influences due to the small amount of the fee to be waived; and
- B. The public interest would be served by the waiver because the annexation of the disadvantaged unincorporated community of South Oroville has been a long standing desire of the community and an established goal of LAFCo, the City of Oroville, and County of Butte for decades.

OPTION 2 - APPROVE a partial reduction in MSR/SOI fees.

OPTION 3 - DENY the SOI/MSR fee waiver request.

OPTION 3 - CONTINUE this request to a future meeting for additional information.

ACTION REQUESTED:

Approve OPTION 1.

Attachments: 1. February 10, 2010, Fee Waiver Request Letter from the City of Oroville



City of Oroville

COMMUNITY DEVELOPMENT DEPARTMENT

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Donald Rust
 DIRECTOR

May 26, 2015

Butte LAFCo Commissioners
 1453 Downer Street, Suite C
 Oroville, CA 95965-4950

Dear Commissioners,

The City of Oroville would like to extend our appreciation for the efforts of the Butte LAFCo Commission and its staff in their continued cooperation with the City in assisting our realization of the City's long term annexation strategy. As part of this strategy, on October 27, 2014 the City submitted two applications to Butte LAFCo for the annexation of the areas identified as South Oroville Areas A & B through a collaborative effort between the Butte County and City of Oroville. In 2014, the "*South Oroville Areas A & B Annexation Study*" was completed by Ralph Andersen & Associates on June 27, 2014 on behalf of the Butte County and City of Oroville for the purpose of identifying fiscal and operational considerations of annexing the areas of South Oroville, identified in the study as Areas A and B, to the City of Oroville. As specified on page 13 of the report, it is projected that a deficit to the City in the amount of \$1,245,873 would result if the annexations occur. Area A would generate a deficit of \$1,104,944 and Area B would generate a deficit of \$140,928. With strong consideration of the aforementioned fiscal projections and all other elements that surround the annexation of South Oroville, the Oroville City Council took on action on October 21, 2014 to proceed with the annexations. On October 27th the applications for annexation were officially submitted to Butte LAFCo.

As a result of the collective actions that have occurred resulting in the submittal of the applications for annexation, prompt actions have been taking place to keep in step with the political climate. In light of current events, the City is requesting support from Butte LAFCo in potentially providing a fee waiver or reduction of the per acre fee for the annexation of developed and undeveloped lands within an existing SOI, as identified in Butte LAFCo's fee schedule adopted on May 5, 2005 and subsequently revised on August 2, 2012 and July 7, 2005. Acknowledging the fiscal constraints that all agencies are currently confronting, any support from Butte LAFCo on waiving or reducing these fees in assisting the City through this annexation process would be greatly appreciated and serve in contributing to the success of this annexation which has historically been delayed for various reasons but is now moving forward through a collaborative effort

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between the City, County, Butte LAFCo, and the residents of the South Oroville community.

If you have any questions regarding the information contained in this letter please contact Donald Rust at (530) 538-2433 or at rustdl@cityoforoville.org. Thank you for your consideration.

Sincerely,



Donald L. Rust, Director
Community Development Department