

# Chapter 1. **EXECUTIVE SUMMARY**



---

# Chapter 1 EXECUTIVE SUMMARY

---

## 1.1 PURPOSE AND SCOPE

One of the key responsibilities of a Local Agency Formation Commission (LAFCO) is to determine the sphere of influence of local governmental agencies. A sphere of influence (SOI) designates the probable physical boundary and service area of a local agency. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that a Municipal Service Review (MSR) be prepared prior to or concurrent with an update of an SOI. The MSR evaluates existing and future service conditions and reviews the advantages and disadvantages of various government service structure options. An MSR is to be used as an information resource upon which the LAFCO can base recommendations on an SOI action.

## 1.2 ISSUES ADDRESSED

In accordance with the Cortese-Knox-Hertzberg Act, the MSR addresses nine categories for which written determinations must be rendered pursuant to Government Code 56430:

- Growth and Population
- Infrastructure Needs and Deficiencies
  - Water
  - Wastewater
  - Storm Drainage
  - Roadways
  - Police Services
  - Fire Services
  - Parks and Recreation
  - Solid Waste
  - Other Administrative Services
- Financing Constraints and Opportunities
- Cost Avoidance Opportunities
- Opportunities for Rate Restructuring
- Opportunities for Shared Facilities
- Government Structure Options
- Management Efficiencies
- Local Accountability and Governance

Written determinations are included for each of the areas addressed. The LAFCO Municipal Service Review Guidelines (August 2003) prepared by the State Office of Planning and Research were used as a guide in the preparation of the MSR.

An explanation of the specific operational and management aspects of each service provider considered in each of these topic areas is provided below.

### **1.3 DETERMINATIONS**

Based on the information contained in the MSR, the determinations listed by general topic areas covered in this MSR are summarized in Table 1-1.

<b>Table 1-1 Written Determinations</b>	
<b>Growth and Population</b>	
3-1	The City’s growth has generally exceeded that of the County as a whole, with Chico’s share of the County’s total population and employment growth increasing over time.
3-2	The estimated three percent housing unit growth rate and three-and-a-half percent population growth rate for the City of Chico through 2025 should include a consideration of the implications of annexation.
3-3	The City of Chico’s annexation process will result in approximately 2,300 acres of annexed land with 6,163 estimated housing units and an estimated population of 14,000.
3-4	The primarily undeveloped area northwest of Chico city limits, identified as the Northwest Chico Specific Plan area and depicted on Figure 2-3, is currently targeted by the City of Chico for potential expansion of the City’s boundaries.
3-5	The City’s total capacity for new housing units is significantly above the projected regional housing demand. As a result, the City can accommodate additional growth beyond its current land use allocation.
<b>Infrastructure and Needs and Deficiencies</b>	
<b>Water</b>	
4.1-1	Cal Water Chico generally meets all state and federal requirements for water quality. However, four wells could be taken out of service based on new arsenic standards. The City is working with the County of Butte to resolve the City’s nitrate problem.
4.1-2	The Cal Water Chico system is well maintained and in good condition.
4.1-3	Cal Water Chico’s supply system has not experienced any deficiencies in the Chico District, although the Chico Municipal Airport has experienced reduced flows due to water contamination.
4.1-4	Cal Water Chico’s rates are significantly less than the corresponding rates charged in Oroville, but are two to three times higher than rates currently charged by Durham Irrigation District. Opportunities for facilities sharing are generally limited, but there may be cost avoidance and reduction measures that could allow Cal Water Chico to reduce or maintain its rates.
4.1-5	Using buildout assumptions in the General Plan, the Groundwater Resources Analysis Study concluded that groundwater resources within Butte Basin are sufficient to support water consumption expected in the City to the year 2012.
4.1-6	The Chico Hamilton City District of the California Water Service Company (Cal Water Chico) states that it will be able to meet the City’s projected demand through 2030.

- 
- 4.1-7 Water in the Northwest Chico Specific Plan area would be provided by the Cal Water Chico system. Current water supply would be adequate to meet the average maximum day demand to the year 2015, including water demands associated with the projected maximum residential and commercial development in the NCSP.
- 4.1-8 Cal Water Chico has sufficient groundwater production capacity to supply all of the current annual average day and maximum day demand through the year 2015. However, continued use of conservation measures and increased production by Cal Water Chico will be necessary to ensure its water supply will not be depleted with the anticipated growth in the area beyond 2015.
- 4.1-9 The provision of water beyond 2020 is a critical issue that must be addressed for development within the City or County. Funding programs and a Water Supply and Facilities Master Plan will eventually be developed by Cal Water Chico to proactively plan water infrastructure improvements for existing and potential improvements.
- 4.1-10 Although the Water Pollution Control Plant (WPCP) could potentially be retrofitted to supply reclaimed water for irrigation, the City and Cal Water Chico do not anticipate the use of recycled water for domestic or agricultural uses within the City.

---

**Wastewater**

---

- 4.2-1 The City is working with the Butte County to resolve the community's groundwater nitrate problems. If all Nitrate Action Plan (NAP) communities are connected to the City's sewer system, however, the WPCP's buildout capacity will be exceeded by 2025.
- 4.2-2 The 75-year-old City wastewater collection system is in relatively good condition and has sufficient capacity to support area demand. A few deficient lines will either be replaced or paralleled to eliminate capacity issues.
- 4.2-3 Future growth is expected to cause wastewater flows in the City to exceed the existing capacity of the City's Water Pollution Control Plant (WPCP). As a result, the WPCP is undergoing phased expansion to provide capacity for planned growth throughout the City's SOI.
- 4.2-4 There is adequate treatment capacity at the City's WPCP to accommodate flows from the Northwest Chico Specific Plan; however, trunk line and lift station capacity would be insufficient to accommodate project flows.
- 4.2-5 The CIP identifies \$3.3 million in improvements to the sanitary sewer system and WPCP capacity expansion over the course of five years from 2005/2006 to 2009/2010.
- 4.2-6 Government Code Section 56133 allows the City to provide sanitary sewer service to properties outside its jurisdictional boundaries, but within the SOI, only with LAFCO approval. The City cannot provide sewer service to properties outside the SOI.
- 4.2-7 The City has concluded that Proposition 218, which restricts local governments' ability to impose assessment and property-related fees, and requires elections to approve many local government revenue raising methods, would not substantially limit the City's ability to charge appropriate monthly rates for providing sewer service.

---

**Storm Drainage**

---

- 4.3-1 Stormwater runoff in the City is collected and conveyed by storm drainage systems operated and maintained by the City and County. Existing storm drainage system improvements are effectively managed and operate with sufficient capacity to accommodate flows. Planned improvements to ensure future flows are effectively managed and operated have been identified in the SDMP.
-

- 4.3-2 The City has prepared and implemented a Storm Water Management Program (SWMP) to minimize runoff and prevent pollutants from entering the storm drainage system.4.3-3 Four County Service Areas (CSAs) to facilitate the provision and funding of necessary drainage facilities for portions of both incorporated and unincorporated areas. Two of the CSAs in the City's SOI (CSA 22 and 23) will be fully within the City limits following current annexation activities. Approximately 65 percent of CSA 25 will be in the City limits. A mechanism for transfer of existing funding for maintenance of these CSAs is still being developed. Approximately one third of the CSA 24 is outside the City SOI, and the timeline and mechanism detachment/dissolution has not yet been determined.
- 4.3-4 Urban development along waterways and encroachment on floodplains creates flooding problems in the City and in the agricultural area west of the City. Storm drainage system improvements identified in the Storm Drainage Master Plan (SDMP) address these flooding issues.
- 4.3-5 The Northwest Chico Specific Plan includes stormwater drainage facilities that would accommodate increased runoff volume and peak flow volumes from that project.
- 4.3-6 Maintenance of storm drainage facilities within the City is funded primarily from the General Fund. The CIP identifies \$3.1 million in improvements to the City's storm drainage system over the course of five years from 2005/2006 to 2009/2010.

---

**Roadways**

---

- 4.4-1 The level of service for multiple roads and intersections is at or approaching unacceptable levels of service. As growth continues, the number of roads and intersections operating at unacceptable levels will increase. Implementation of the City's Capital Improvement Program will reduce or delay the decline in service, but not totally eliminate roads and intersections with unacceptable levels of service.
- 4.4-2 The City has completed an evaluation of pavement conditions on most of the City's current 245.1 miles of streets. Approximately one quarter of the City's streets are classified as "poor," 11 percent as "excellent," and just over 27 percent as "very good." Streets requiring routine maintenance ("good") accounted for approximately 13 percent of the total.
- 4.4-3 The Butte County Association of Governments in cooperation with Caltrans, Butte County, and the City have identified a list of prioritized projects to address current and future operational deficiencies on the Highway 99 corridor through the City.
- 4.4-4 The Northwest Chico Specific Plan includes roadway improvements to serve the development as well as improvements to other intersections in the vicinity.
- 4.4-5 The City's 2005/06 annual budget includes continued funding for a series of roadway projects. Service levels are affected as additional areas are annexed, and as the State continues to take local revenue.
- 4.4-6 The City has relied on Transit Development Act – Local Transportation Funds fund balance to support street maintenance two years in a row. However, all excess fund balance has been budgeted, so this transfer source will not be available beyond 2005-06.
-

- 4.4-7 For the most part, the Nexus Study assumes funding for projects involving improvements to or realignments of SR 32 and SR 99 will result as a cooperative effort between the City, Butte County, and the State. To offset costs attributable to existing development, a credit of over \$2.1 million was added to the Street Facilities Fee for receipt of Federal Congestion Management and Air Quality funds programmed through 2004.
- 4.4-8 The CIP identifies \$36.3 million in improvements to the City's roadway system over the course of five years from 2005/2006 to 2009/2010 from several funding sources (programs). Most of the improvements have been accounted for in the Nexus Study, which establishes developer funded fair share contributions to the improvements.

---

**Police Services**

---

- 4.5-1 The Chico Police Department (CPD) provides police protection services to the City of Chico. The CPD is not meeting the desired level of service. However, staffing is reviewed as part of the City's budgeting process, and staffing levels are maintained that provide public safety.
- 4.5-2 Development in the City will increase the need for additional sworn and non-sworn officers and traffic control enforcement. Increased staffing to meet annexation and development growth is addressed through the City budget process.
- 4.5-3 New development projects are required to contribute fees toward facilities and equipment, but this does not apply to staffing the facilities. Funding for staffing is provided in the City's General Fund.
- 4.5-4 New development projects are required to contribute fees toward facilities and equipment, but this does not apply to staffing the facilities. Funding for staffing is provided in the City's General Fund.

---

**Fire Services**

---

- 4.6-1 The Chico Fire Department (CFD) provides fire suppression, emergency medical, rescue, hazardous materials response, public assistance, fire prevention/life safety services to the City of Chico and the unincorporated areas within the City's Sphere of Influence through the Chico Urban Area Fire and Rescue Agreement.
- 4.6-2 The Department has set a service ratio goal of 4 on-duty personnel per 10,000 population and a station ratio of one per 10,000 population. The Department is operating at a service ratio of 2.85 personnel per 10,000 population. The Department does not meet its station ratio with a current ratio of 0.82 stations per 10,000 population.
- 4.6-3 The City's projected General Plan buildout increase in population would require construction of two new fire stations, expansion of two existing fire stations, relocation of an existing fire station, and upgrades to the Fire Training Center.
- 4.6-4 The Northwest Chico Specific Plan (NCSP) would have adequate fire protection once planned facility construction and expansions are completed.
- 4.6-5 Design of a new Fire Station 7 will be funded in 2006-07, and a set-aside has been established in the annual City budget to provide full staffing and operating costs beginning in 2009-10. Design and construction of a new Fire Station 6 has been approved, with funding from the Fire Protection Building and Equipment Fund and Chico Merged Redevelopment Fund. Expansion of Fire Station 3 has been approved by the City Council and is funded.
-

4.6-6 The 2005-06 Chico Redevelopment Agency (RDA) Budget includes Chico Merged Redevelopment Fund funding of \$4,000,000 (half grant, half loan) to assist Butte County in closing their fire stations on Fair Street (Station 44), Frontier Circle (Station 42), and on Highway 99 north of Wilson Landing Road (Station 41) and replacing them with new stations near Highway 99 and Keefer Road and at Highway 99 near Southgate Lane. These general allocations were agreed to by the City and County in the Chico Urban Area Fire and Rescue Agreement.

---

***Parks and Recreation***

---

4.7-1 The City and CARD have adopted the same parkland acreage standards. The City provides adequate levels of service and access for parks. Maintenance and administrative/operational capacity are addressed by the City or in coordination with the Chico Area Recreation and Park District (CARD).

4.7-2 The completion of DeGarmo Park in the Northwest Chico Specific Plan (NCSP), along with the two proposed park facilities would meet local standards.

4.7-3 The City is financially well-positioned and has adequate financial planning and control mechanisms to provide parks and recreation facilities. The City should implement a recreational impact fee for new residential development.

---

***Solid Waste***

---

4.8-1 North Valley Waste Management and the Norcal Waste Systems of Butte County provide solid waste and recycling services to the City. Provision of solid waste service has no impact on City funds because solid waste and recycling services are funded residential service fees, tipping fees and waste hauler franchise fees.

4.8-2 The City encourages recycling through their contracted haulers and diverts approximately 50 percent of its waste in accordance with AB 939.

4.8-3 Remaining capacity in the Neal Road landfill, which serves the City, is 22 million cubic yards. This is adequate to accommodate planned growth in the SOI, recent island annexations, and the Northwest Chico Specific Plan.

---

***Other Administrative Services***

---

4.9-1 The City of Chico development and development-related functions (Planning, Building, Engineering, and Airport, Housing and Economic Development) have been combined under a single Community Services Department to provide more unified direction and to ensure that levels of service are maintained or improved.

4.9-2 Funding for any new positions proposed and the funding of existing positions would come from permit and application fees paid by private developers and others using the services provided by the Community Services Department. It is intended that new positions would not be funded through the City's General Fund, but in reality it is likely that some funds from this source will cover costs not attributable to providing services.

---

***Remaining Review Factors***

---

***Finance Constraints and Opportunities***

---

5.1-1 In a continuing attempt to anticipate State and other potential financing issues, the City of Chico adjusts to the ongoing actions of the State, maintains a budget reserve, and coordinates its budgeting processes.

---

- 
- 5.1-2 Beginning in 2006-07, the Chico City Council will utilize the adopted authority for the preparation of a two year budget, which will dramatically decrease the amount of administrative time spent by City departments.
  - 5.1-3 The City's FY 2005-06 proposed budget represents a 30 percent decrease from the previous year, largely representing a significant decrease in capital project funding. However, the City's General Fund revenue during this period is estimated to increase by 2.58 percent.
  - 5.1-4 The General fund operating reserve is available for unanticipated expenses that occur during the fiscal year in accordance with the Supplemental Appropriation/Budget Modification Requirements within the Budget Administration Policies.
  - 5.1-5 The City of Chico has been assigned a bond rating of "A." This high/stable rating will allow the City to issue ample bonds, if necessary.
  - 5.1-6 A schedule of long-term debt is included in the City's annual budget for outstanding revenue bonds issued by the City, Chico Public Financing Authority, and Chico Parking Authority. The City's total long-term debt decreased between FY 2002-03 and FY 2003-04, primarily due to scheduled principal payments.
  - 5.1-7 The City of Chico's 2005-06 adopted budget, which provides operating revenues and expenditures for General and Park funds through 2007-08, identifies a potential deficiency in revenues over operating expenditures. Although deficits are projected, balanced budgets were adopted through reductions in expenditures, use of carry over of unspent funds from the prior year, deferring decisions on some expenditures until actual revenues (versus projected) are determined, and use of reserves.

---

***Cost Avoidance Opportunities***

---

- 5.2-1 The City's annual budget process provides the City with an on-going mechanism to evaluate efficiencies and explore cost avoidance opportunities to bridge the projected gap between revenues and expenditures.
  - 5.2-2 The City has made efforts to take advantage of opportunities for sharing facilities and services with Butte County to reduce capital and operating costs. The City and County should explore establishing a mechanism to regularly explore opportunities for increasing the efficiency in delivering local government services.
  - 5.2-3 The City requires new development to pay a fair share portion for impacts on infrastructure and services; however, the City's General Plan does not require a fiscal impact analysis be prepared prior to, and for, major development proposals.
  - 5.2-4 Support of and use of "island" annexation law by the City will create more efficient boundaries for the delivery of services by both the City of Chico and Butte County.
  - 5.2-5 The City of Chico General Plan includes numerous policies that address growth and the provision of services and infrastructure. Emphasis is placed on the need for new development to pay a fair share portion of development impacts.
-

***Opportunities for Rate Restructuring***

- 5.3-1 The City sets rates and fees for wastewater, roadways, police, fire, storm drainage, and parks. All other services are provided by existing providers whose rates are established through mechanisms that are not governed by the City of Chico. If and when the City ultimately assumes jurisdiction of areas in the SOI for which it would provide services, the City would set the standard rates and fees in those incorporated areas.
- 5.3-2 The City has used a proactive approach to ensure the long-term stability of the City's financial position and appropriate fees and rates. This includes policies that require new development to pay for infrastructure and services; however, the City's General Plan does not require a fiscal impact analysis be prepared prior to, and for, major development proposals.
- 5.3-3 Based on a comprehensive review fees related to providing development services, the City concluded that the actual cost to provide services was substantially more than what was being charged, resulting in just under \$1 million less in revenues annually than the actual City cost to provide the services. The result was deficit reimbursement, which generated the need for an overall subsidy. The City Council directed City staff to prepare modifications to the City fee schedule to provide full cost recovery for consideration and adoption.
- 5.3-4 A Sanitary Sewer Rate Analysis determined that rates were insufficient to cover operating costs. Sewer service rates have been restructured to ensure revenues will fully fund maintenance and operations and generate an appropriate reserve.

***Opportunities for Shared Facilities***

- 5.4-1 The City of Chico General Plan includes specific policies that address shared facilities and cooperation between the City of Chico and Butte County. The City of Chico has made every effort to take advantage of opportunities for shared facilities and services with other agencies, primarily Butte County and local districts.
- 5.4-2 The Chico Area Recreation and Park District (CARD), City of Chico, and Chico Unified School District (CUSD) cooperate to provide numerous recreational facilities that meet the needs of the community.
- 5.4-3 The City of Chico allocates \$157,359 (in fiscal year 2006/2007) from City funds to Butte County for the sole purpose of increasing the Chico Branch of the Butte County Library's hours of operation from 35 hours per week to 60 hours per week.
- 5.4-4 The Butte County Sheriff's Department patrols all unincorporated areas of Butte County and maintains a Chico substation. These services, while administered at the County level, are available to the City of Chico and Planning Area residents and provide an additional level of law enforcement.
- 5.4-5 The Butte County Fire Department operates two stations in the Planning Area and two in adjacent areas. The two locations in the Planning Area duplicate City services and coverage. Chico Merged Redevelopment Fund funding has been provided to assist with relocating these stations to the periphery of the urban area, with more appropriate response patterns and coverage.
- 5.4-6 B-Line is managed by the Butte County Association of Governments (BCAG) and consists of the formerly independent transit systems operated by the City of Chico, County of Butte, and other cities in the county. This has resulted in administration consolidation, efficient use of equipment and facilities, and coordination of routes.

- 5.4-7 The Butte County Association of Governments in cooperation with Caltrans, Butte County, and the City have identified a list of prioritized projects to address current and future operational deficiencies on the Highway 99 corridor through the City.
- 5.4-8 The City's Nexus Study, for the most part, assumes funding for projects involving improvements to or realignments of Highway 32 and Highway 99 will result as a cooperative effort between the City, Butte County, and the State. The cost of traffic signal projects at city street/state highway intersections will generally be shared between the city and the state in accordance with current state policy.

---

**Government Structure Options**

---

- 5.5-1 The City of Chico provides services and infrastructure within its current incorporated boundaries and also within Butte County's unincorporated areas, which includes the SOI. The expansion of urban development within the City of Chico Planning Area would be dependent upon the extension of infrastructure and provision of services from the City of Chico. The levels of service that would be provided to the extended areas would, in most cases, enhance the services currently available.
- 5.5-2 As a municipality, the City of Chico is structured to meet the needs and expectations of urban/suburban levels of development. The inclusion of the SOI areas in the City is not anticipated to have a significant effect on the governmental structure of the City of Chico or Butte County.
- 5.5-3 Mechanisms are in place in the City and in Butte County government that effectively provides for public participation in the planning and development process, regardless of whether development in the SOI occurs within the City of Chico or Butte County.

---

**Management Efficiencies**

---

- 5.6-1 Chico voters approved a Charter amendment in 2004 that would allow the adoption of a biennial budget. Beginning in 2006-07, the City of Chico City Council will utilize the adopted authority. While the Council may continue to meet quarterly to review the ongoing budget status, the preparation of a two-year budget will dramatically decrease the amount of administrative time spent by City departments.

---

**Local Accountability/Governance**

---

- 5.7-1 The City of Chico is responsible for governance within its incorporated boundaries. Actions of the City Council, including opportunities for public involvement and public hearing, are regulated in accordance with the Brown Act (California Government Code Section 54950 et seq., other applicable statutes and regulations, and City procedures.
- 5.7-2 There are sufficient opportunities for local (public) involvement in City activities, and information regarding the City is readily available to the public. Agendas and documents for City Council and commission meetings are made available to the public in a timely manner, and may also be reviewed on the City's website.

---

Source: EIP Associates, a Division of PBS&J, 2006.

---

