

**MEMORANDUM  
LOCAL AGENCY FORMATION COMMISSION**

**TO:** Local Agency Formation Commission

**FROM:** Stephen Lucas, Executive Officer

**SUBJECT:** **Agenda Item 4.2 - Update Concerning Approval of Sewer Service Extension and Annexation Agreement with the City of Chico.**

**DATE:** February 25, 2015 for the meeting of March 5, 2015

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Update

The Commission has been working with the City of Chico to address sewer extensions into unincorporated islands and other areas since 2011 resulting in the Commission proposed Sewer Service Extension and Annexation Agreement (Agreement) formally proposed to the City in December 2013. The most recent version of the Agreement was developed over a period of at least 8 months between LAFCO and City staff including meetings of a subcommittee of LAFCO Commissioners and City Council members.

At its meeting of February 17, 2015, the Chico City Council approved the Agreement by a vote of 5-2. The Agreement is a model of a cooperative effort to achieve three fundamental goals of good governance:

1. Two disadvantaged unincorporated communities (DUCs) which have been islands for decades will begin a managed transition to incorporated status in 5 years that will allow both the City and affected residents to gradually prepare for annexation. The annexation will finally allow the residents of these islands to be fully integrated into the socio-economic fabric of the City of Chico including receiving the full range of municipal services and the right to participate in City elections and serve on City boards and commissions. This action will also allow the County to reallocate its scarce resources from serving small urban islands in the middle of the City to its more rural residents who are solely reliant on stretched County services.
2. Residents within these island DUCs will have access to City sewer services through an expedited process which will not only further the important goals of the Nitrate Compliance Program, it will allow property owners the opportunity to abandon existing septic systems and make improvements to existing structures. This process over time is likely to increase property values and enhance the overall socio-economic well being of these communities.
3. Existing unauthorized sewer connections will be appropriately reviewed and approved by the Commission as required by State law, thus ending the need for further legal action. It also reinforces the understanding of the legislature's clear intent that extending city services outside city boundaries should be done in anticipation of annexation and as a part of an overall growth management/annexation strategy.

## Future Steps/Actions

- The Agreement requires the City to make application for the island annexations of the Chapman and Mulberry neighborhoods prior to April 30, 2015. Following the submittal of applications, LAFCo will schedule noticed public hearings to consider each application. It was suggested at the community meeting held on February 7, 2015, that these hearings be held in Chico to facilitate greater accessibility to neighborhood residents.
- As a part of the island annexation (reorganization) applications, the City will request the Commission pre-authorize the extension of sewer services to all eligible parcels within these areas pursuant to the Agreement. Following Commission approval of both the annexations and sewer extensions, individual parcel owners can request sewer connections directly from the City without the need for LAFCo approval. It will be necessary to track these connections and such a process will be developed in cooperation with both City and County staff. This part of the process will be critical to ensure the Agreement is implemented as intended and that all parties understand what their roles will be over the next five years.
- The Agreement requires the City to reimburse LAFCo for the substantial expenses related to investigating the unauthorized sewer connections by March 19, 2015.
- The Agreement requires the City to submit a single comprehensive application for all unauthorized sewer connections outside of the Chapman/Mulberry islands no later than May 18, 2015.
- The Agreement directs all new sewer service extensions outside of the island areas to be reviewed individually pursuant to current LAFCo policies and State law. The City and LAFCo will need to periodically review approved sewer extensions outside of the Islands and agree to develop a plan and program to proceed with the orderly annexation of all other areas into which the City has or plans to extend sewer services. Annexation proceedings may be commenced by the City or by individual landowner petition over time with an overall goal of eventually annexing all areas in which the City is extending sewer services to establish logical boundaries and service delivery. The Agreement establishes no specific date to develop such an annexation plan and this will be further explored by LAFCo, City and County staff in a cooperative manner.

## Summary

The Commission has worked diligently and patiently with the City of Chico for several years to develop an Agreement that addresses two important State directed goals:

- 1) Implement the Chico Urban Area Nitrate Compliance Program to address the documented public health need to convert existing on-site individual septic systems to municipal sewer service to address nitrate contamination in the groundwater per the Central Valley Regional Water Quality Control Board Prohibition Order No. 90-126; and
- 2) Provide for logical jurisdictional boundaries, the effective delivery/extension of municipal services and address environmental justice via the annexation process per the Cortese Knox Local Government Reorganization Act of 2000 (GC56000).

**ACTION REQUESTED:** Receive update, acknowledge processes and provide any direction or comments to staff.