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San Diego County Water Authority Annexation Packet

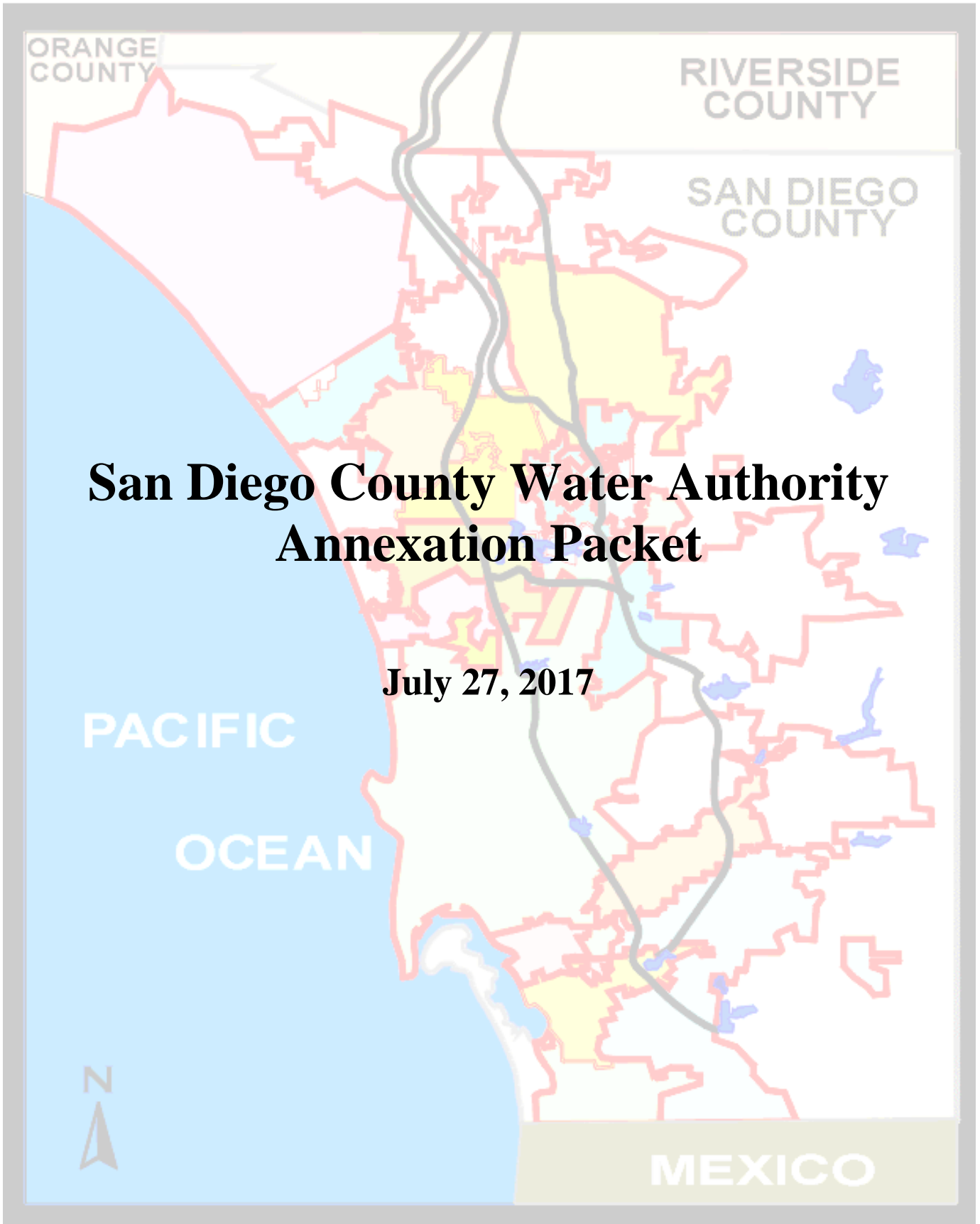
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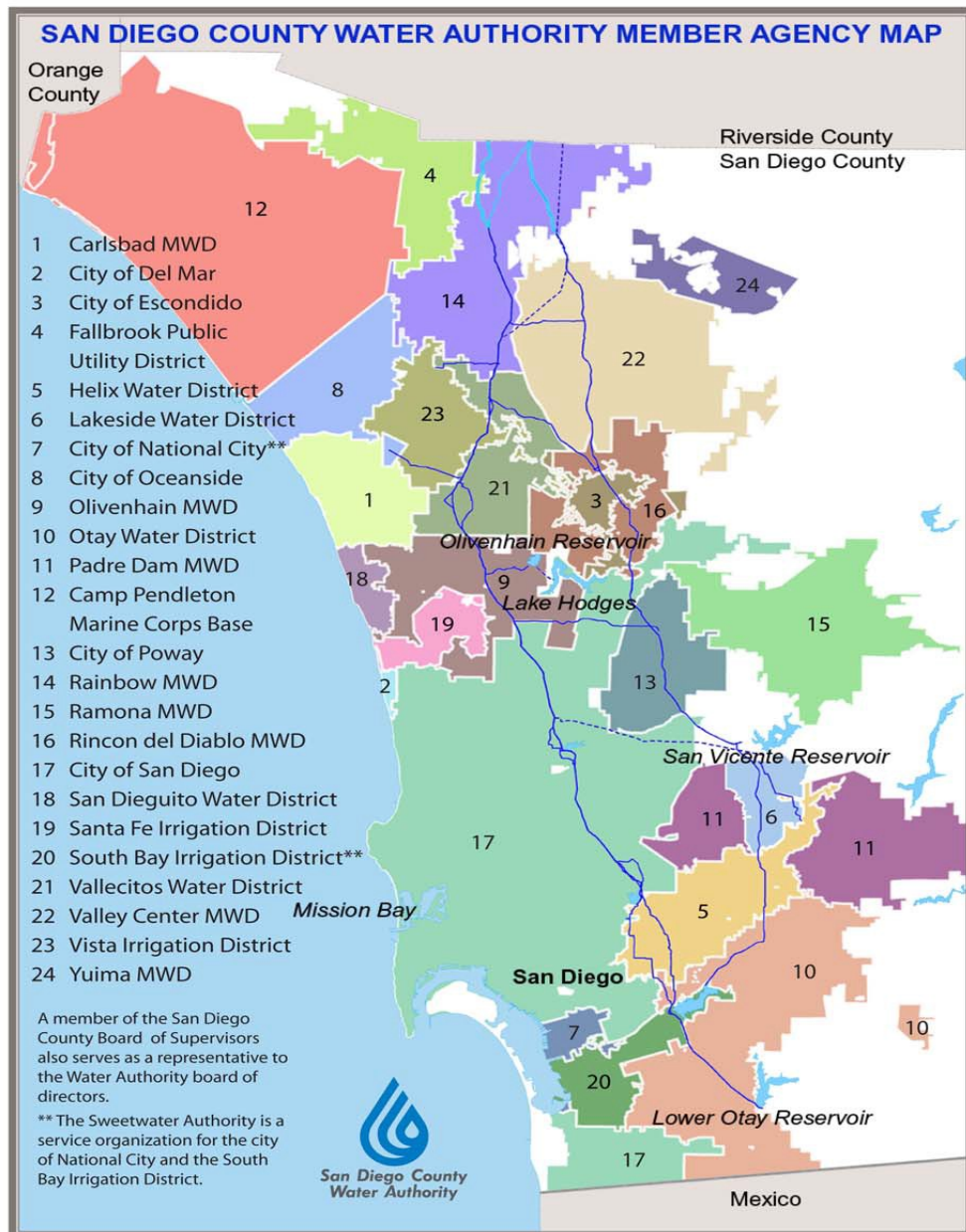


SECTION 1 – INTRODUCTION	PAGE
Background of the San Diego County Water Authority.....	1
SECTION 2 – OVERVIEW	
Overview of the Annexation Process.....	2
SECTION 3 - ANNEXATION POLICIES	
1 Relationship to San Diego Local Agency Formation Commission (LAFCO) and Metropolitan Water District of Southern California (MWD) Policies.....	3
2 Protection of Member Agency Supply Reliability.....	3
3 Conservation and Local Supply Use Requirements.....	3
4 System Cost Recovery.....	4
5 Priority Given to Annexations to Member Agency.....	4
6 Concurrent Annexation to MWD, Water Authority and Member Agency.....	4
7 Facilities Necessary to Connect Annexing Territory or New Member Agency.....	4
8 Environmental Compliance.....	4
9 Consistent with Land-Use Approvals.....	5
10 Total Annexation of Ownership Lands.....	5
11 Avoid Formation of Islands/Windows.....	5
12 Annexation Application Fee.....	5
13 Annexation of Tribal Lands.....	5
SECTION 4 – PROCEDURE FOR IMPLEMENTATION OF ANNEXATION POLICY #2	
A Introduction.....	6
B Determination of Water Supply Requirements.....	6
C Calculating Estimated Water Use of the Proposed Annexing Property.....	7
D Considerations for Evaluating Impacting.....	7
E Determination of Adverse Effect.....	7
F Example Utilizing Implementation Procedures.....	10
G Guidelines for Member Agencies Utilizing Offset Programs.....	12
SECTION 5 – ANNUAL REPORTING	
Requirements for Annual Reporting.....	14
SECTION 6 – SUMMARY OF ANNEXATION PROCESS	
Steps Summarizing the Annexation Procedure.....	15
SECTION 7 – METROPOLITAN WATER DISTRICT’S ADMINISTRATIVE CODE SECTIONS 3100-3300	
Table of Contents.....	17
Chapter 1 Annexation Procedure.....	18
Chapter 2 Policies Related to Annexations.....	26
Chapter 3 Financial Policies Related to Annexations.....	27
SECTION 8 – INFORMATION REQUIRED TO PROCESS ANNEXATION REQUESTS	
Summary of Information Required to Begin Processing Annexation Requests.....	29
SECTION 9 – SUMMARY OF ANNEXATION FEES AND CHARGES.....	31

Section 1 – Introduction

The San Diego County Water Authority (Water Authority) is a public agency serving the San Diego region as a wholesale supplier of water. The Water Authority works through its 24 member agencies to provide a safe and reliable water supply to support the region’s over \$200 billion economy and the quality of life of over 3 million residents. The Water Authority’s services area includes 951,000 acres and spans from Riverside County to the U.S./Mexico border and from the coastline to the East County.

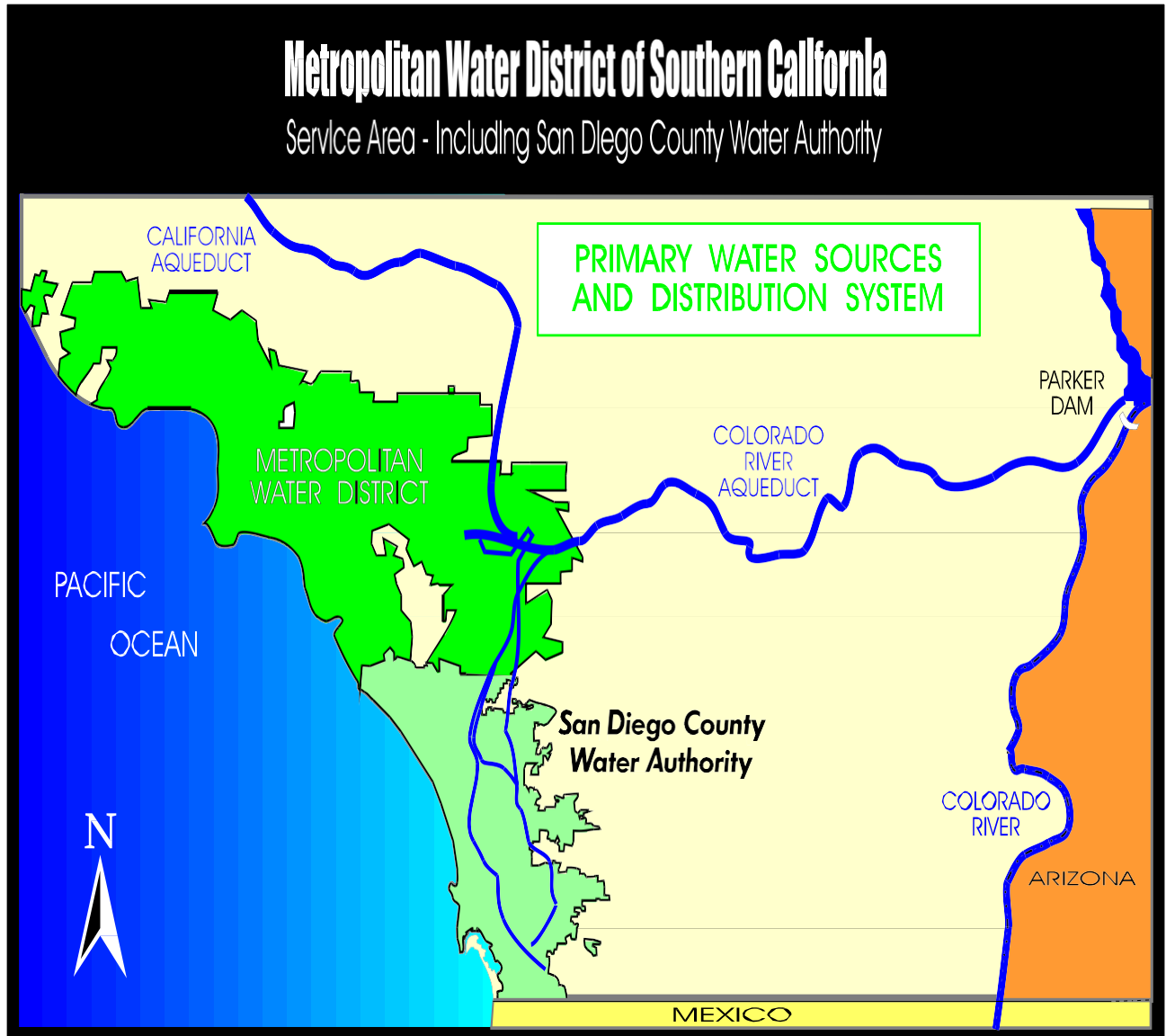
WATER AUTHORITY SERVICE AREA



Section 2 – Overview

The Water Authority Board of Directors, as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs. Periodically, the Water Authority receives requests from its member agencies to expand the Water Authority's boundary through the annexation of property. A property is annexed concurrently into the local water agency, the Water Authority, and to the Metropolitan Water District of Southern California (MWD), by meeting the terms and conditions fixed by each agency's Board and in accordance with each agency's policies and procedures.

MWD SERVICE AREA



Section 3 – Annexation Policies

In February 2006 the Water Authority Board of Directors adopted annexation policies that provide guidance to staff, member agencies and the public on how the Water Authority processes annexation requests. Some of the issues addressed in these policies include supply reliability, conservation and local supply use, environmental compliance, and annexation fees.

- 1. Relationship to San Diego Local Agency Formation Commission (LAFCO) and Metropolitan Water District of Southern California (Metropolitan) Policies** Any annexation to the Water Authority shall be in accordance with the County Water Authority Act and applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.). Any annexation to the Water Authority shall not conflict with Division III, Annexations, of the Metropolitan Water District Administrative Code.
- 2. Protection of Member Agency Supply Reliability** The Water Authority shall evaluate the adequacy of water supplies and facilities to meet the needs of the proposed annexed territory based on adopted Water Authority facilities and supply plans, including without limitation the 2004 Water Facilities Master Plan and the 2015 Urban Water Management Plan, or the most recent update of either. The Board may deny an annexation if it determines the annexation would adversely affect water supply reliability to Water Authority member agencies, or may approve an annexation upon compliance with conditions to mitigate, or avoid adverse effects to water supply reliability of member agencies. Costs of such mitigation should generally be borne by the annexing territory unless the Board finds a regional benefit that justifies regional allocation of such costs or a portion of such costs.
- 3. Conservation and Local Supply Use Requirements**
 - A. In addition to any condition imposed pursuant to policy 2, to reduce demand on, and enhance reliability of, Water Authority water supplies, the Board may condition an annexation to require developments and development projects in the annexed territory to:
 1. Utilize recycled water in accordance with California Water Code;
 2. Incorporate water conserving design and improvements within subdivisions, both residential and commercial and;
 3. Incorporate water conserving design and improvements in building, grading, landscaping, and other similar development and construction plans;
 4. Require maintenance of water conserving landscape through CC&Rs.
 - B. The member agency with jurisdiction over the parcels considered for annexation shall submit evidence of the following prior to Water Authority Board approval of the annexation:
 1. A regulatory plan to require all new developments within proposed annexing territories and member agency's service area to incorporate water conserving design and improvements based on current Water Authority water-use-efficiency policies and reasonable conservation practices and measures;
 2. A regulatory plan to require all new developments within proposed annexing territories to use recycled water in accordance with California Water Code, or explain why such use is infeasible;

Section 3 – Annexation Policies

3. The member agency is signatory to and in substantial compliance with the California Urban Water Conservation Council Memorandum of Understanding Regarding Urban Water Conservation in California;
4. The member agency has accounted for groundwater and surface water supplies available to the annexing territory in the member agency's water management plan and where appropriate and feasible, intends to use for consumptive purposes;
5. The member agency is maximizing use of recycled water and groundwater throughout its service area or has conducted feasibility studies that have determined that development of recycled water is not practical or feasible; and
6. The member agency is offering Water Authority and MWD sponsored water conservation programs to new development and encouraging participation.

4. System Cost Recovery

The cost of Water Authority facilities and supplies of benefit to the member agencies or the annexed territory shall be collected for each annexing parcel through the System and Treatment Capacity Charges. The Board may deny an annexation if it determines that the annexation would result in an increase in cost of service to the member agencies.

5. Priority Given to Annexations to Member Agency

Priority shall be given to proposals for annexation to an existing member agency. Addition of territory through annexation of a new member agency shall be discouraged in order to promote efficiency in water supply delivery and governance.

6. Concurrent Annexation to MWD, Water Authority and Member Agency

Proposals for annexation to a member agency shall be processed concurrently with an application for annexation to the Water Authority and MWD, unless the annexed territory will have a permanent water supply that is wholly independent of the Water Authority.

Proposals for annexation as a separate entity to the Water Authority shall be processed concurrently with an application for annexation to MWD.

7. Facilities Necessary to Connect Annexing Territory or New Member Agency

Facilities and works necessary to connect annexed territory or new member agency to Water Authority facilities and works shall be provided at the cost of the annexed territory or new member agency, as determined by the Board.

8. Environmental Compliance

Annexation to the Water Authority is a project subject to the California Environmental Quality Act (CEQA) and, if applicable, the National Environmental Policy Act (NEPA). The applicant for annexation is responsible for paying the cost of environmental review.

Section 3 – Annexation Policies

9. Consistent with Land-Use Approvals

The member agency with jurisdiction over the annexing territory shall provide certification from the city with jurisdiction over the annexing territory that the annexation is consistent with and supports the timing, location, and development intensity of the city’s general plan and applicable specific plans. If the annexing territory is not located in a city, the county shall provide the certification.

10. Total Annexation of Ownership Lands

All parcels within an area proposed for annexation under single ownership or development control shall be annexed concurrently unless the member agency and city with jurisdiction over the annexing territory provide evidence that partial annexation is consistent with land use policies of the city. The Board may exclude from the annexation, or exempt from payment of taxes, fees or charges, lands committed in perpetuity to open space by conservation easement, title restriction, public dedication or other similar instrument. If the annexing territory is not located in a city, the county shall provide the certification.

11. Avoid Formation of Islands/Windows

Proposals for annexation that would leave an unannexed area entirely surrounded by annexed territory (create a “window”) shall not be approved unless the Board of Directors determines that the Water Authority’s interests will not be adversely affected by the existence of the window.

Proposals for annexation that would leave an annexed area entirely surrounded by unannexed territory (create an “island”) shall not be approved unless the Board finds that the Water Authority’s interests will not be adversely affected by the existence of such an island.

12. Annexation Application Fee

Prior to acceptance by the Water Authority of an application for annexation, the applicant shall provide the Water Authority an amount reasonably estimated by the Water Authority’s General Manager to cover all administrative, processing, investigation, and review costs, including costs of Water Authority staff and retained consultants, reasonably expected to be incurred by the Water Authority as a result of annexation proceedings. Additionally, to the extent the General Manager deems appropriate, the annexation applicant shall also provide a written agreement to defend and indemnify the Water Authority from any claims that some or all of a proposed annexation is in any manner unlawful.

13. Annexation of Tribal Lands

Indian tribal lands may be annexed in compliance with all other policies and the policies of this section. Before approval of the annexation, the tribal government shall enter into a contract with the Water Authority to assure implementation of annexation conditions and requirements. In addition to other items, the contract shall address:

- a) Payment to the Water Authority in-lieu of taxes, assessments, and other charges from within tribal lands that would otherwise be exempt.
- b) Tribal government waiver of sovereign immunity from suit for purposes of enforcing the contractual arrangement.

Section 4 – Procedure for Implementation of Annexation Policy #2

A. Introduction

These procedures are intended to guide applicants, member agencies, and Water Authority staff in the implementation of Annexation Policy # 2, pertaining to protection of member agency supply reliability. Generally, the Water Authority will not accept or process applications for annexation during an emergency condition declared pursuant to Water Authority Administrative Code § 2.04.050, a water shortage emergency declared by the Water Authority pursuant to Water Code § 350 et seq., or during a Level 3 or 4 condition under the Water Authority’s Model Drought Response Conservation Ordinance. At all other times, the Water Authority will accept applications for annexation upon payment of the required annexation application processing, and the Board of Directors retains discretion to consider each annexation on a case-by-case basis and approve, conditionally approve, or deny the annexation based on the circumstances at that time. Annexation of property does not provide a guarantee that water will be actually available to serve the property at the time a request is made for connection to the member agency system. Subsequent determinations of actual water supply availability will be made by the member agency pursuant to applicable law.

B. Determination of Water Supply Requirements

The following information is required. When the application is for concurrent annexation to the Water Authority and a member agency, the information will be submitted through the member agency.

1. Information to be supplied by applicant
 - a. Information regarding current and proposed general plan and zoning for annexing territory.
 - b. Information regarding proposed development design, density, intensity, and improvements.
 - c. Information regarding proposed water conservation improvements and plans, including landscape restrictions and plans for reclaimed water usage.
 - d. Information regarding proposed timing, pace, and phasing of development of the annexing property.
 - e. Information necessary to permit the Water Authority to comply with the CEQA.
2. Information to be supplied by member agency
 - a. Estimated average annual and peak water demand of the property based on current and proposed land use and development (Please see Paragraph C. below).
 - b. Estimates for use of member agency local supplies to serve the annexing property, including any potential supplies generated from “off-set” programs implemented by the member agency for the property proposed to be annexed. Guidelines for member agency offset program to be utilized as part of annexation request are included in section 4 of this packet, under *Guidelines for Member Agencies Utilizing Offsets*.
 - c. Member agency infrastructure requirements to serve the annexing property.
 - d. Information regarding planned additional water demands of the member agency and whether the demands of the annexing parcel are included in planning documents.
 - e. Information regarding current and planned supplies of the member agency.

Section 4 – Procedure for Implementation of Annexation Policy #2

C. Calculating Estimated Water Use of the Proposed Annexing Property

The member agency in which the annexing property is located, or to which concurrent annexation is proposed, is responsible for providing the estimated annual average and peak water demands of the annexing parcel based on the information provided by the applicant and other information available to the member agency. The member agency's determination is subject to verification by Water Authority staff and Board. Water Authority staff may require the member agency to submit supplemental information as necessary to allow staff to verify the water demand projections for the annexing territory. Demand projections shall be based on a 25 year planning horizon.

D. Considerations for Evaluating Impact

When evaluating the impact of a proposed annexation, the Water Authority staff may consider the following:

1. Whether existing Water Authority facilities are sufficiently sized to provide average annual demand of the annexing territory without diminishing the Water Authority's ability to meet average annual demands at existing service levels to any Water Authority member agency.
2. Whether existing Water Authority facilities are sufficiently sized to provide peak service to the annexing territory without diminishing the Water Authority's ability to provide peak service at existing service levels to any Water Authority member agency.
3. Whether the projected water use demand for the annexing property is included in the member agency's current adopted UWMP.
4. Whether the projected water use demand for the annexing property is included in the Water Authority's current adopted Urban Water Management Plan (UWMP).
5. Current and planned water supplies of the member agency.
6. Current and planned water supplies of the Water Authority.
7. Proposed timing, pace, and phasing of development of the annexing property, correlated to the current and planned water supplies and projected demands of the member agency and Water Authority.
8. Proposed water conservation measures incorporated into the design, improvement, and development plans of the annexing property.
9. Proposed water demand offset measures of the member agency.
10. Proposed water supplies to be obtained by the owner of the annexing property and provided to the member agency or Water Authority as a condition of annexation.

E. Determination of Adverse Effect

1. When water demands of annexing property have been included in the Water Authority's adopted UWMP.

When the water demands of the annexing property have been included in the Water Authority's adopted UWMP annexation of property generally will not have an adverse impact on water supply reliability of the Water Authority member agencies, provided the Water Authority finds that existing facilities are sufficient to provide average annual and peak deliveries.

Section 4 – Procedure for Implementation of Annexation Policy #2

- a. When the Water Authority Board has implemented its Water Shortage and Drought Response Plan (WSDRP)

If, at the time of annexation, the Water Authority Board has implemented Stage 3 of its WSDRP, the annexation may be conditioned that the member agency's allocation base period demand will not be increased to account for the increased demand of the annexing territory as long as Stage 3 remains implemented.

If, at the time of annexation, the Water Authority Board has implemented Stage 1 or 2 of its WSDRP, the annexation may be conditioned that if the Water Authority implements Stage 3 during the same shortage period, the agency's allocation base period demand will not be increased to account for the increased demand of the annexing territory.

- b. When Water Authority's current demands exceed forecasted demands

If, at the time of annexation, the current demands on the Water Authority exceed those forecasted in the UWMP, the annexation will be evaluated under Paragraph E.2.

2. When water demands of the annexing property have not been included in the Water Authority's adopted UWMP.

When the water demands of the annexing property have not been included in the Water Authority's adopted UWMP annexation of property generally will have an adverse impact on water supply reliability of the Water Authority member agencies, unless the Water Authority finds that additional supplies are reasonably available to meet the long-term demands of the annexing property and that existing facilities are sufficient to provide average annual and peak deliveries.

- a. When the Water Authority Board has implemented its WSDRP

If the Water Authority finds that additional supplies are reasonably available to meet the long-term demands of the annexing property and the Water Authority Board has implemented Stage 3 of its WSDRP, the annexation may be conditioned that the member agency's allocation base period demand will not be increased as long as Stage 3 is implemented to account for the increased demand of the annexing territory. If the Water Authority Board has implemented Stage 1 or 2 of its WSDRP, the annexation may be conditioned that if the Water Authority implements Stage 3 during the same shortage period, the agency's allocation base period demand will not be increased to account for the increased demand of the annexing territory.

- b. When the impact associated with the annexation is insignificant

When demands associated with the annexing territory are not included in the UWMP, but are less than or equal to an average five acre-feet per year of usage, the

Section 4 – Procedure for Implementation of Annexation Policy #2

annexation will generally not have an adverse impact on water supply reliability of the Water Authority member agencies.

- c. When the annexation is for existing domestic uses for health and safety purposes

When the annexation is to replace an unexpected, unplanned, loss of a local supply for existing domestic consumptive purposes and cannot be restored, the Water Authority Board may waive the provisions of this policy.

Water Authority staff will notify the member agency in writing with supporting information that it has concluded that the proposed annexation has an adverse effect, prior to submitting any findings of adverse effect regarding the annexation for Board consideration. The member agency will have the right to meet with the Water Authority staff within 30 days of receiving the notice of adverse effect to discuss the results of the Water Authority’s analysis and provide to the Water Authority any additional information not previously considered by the Water Authority in arriving at the finding. Subsequently, Water Authority staff will report to the Board within 90 days of the date initial notice was provided to the member agency on the proposed annexation’s compliance with Policy #2 and its finding of adverse effect, if any. The Board will have the discretion to consider each annexation on a case-by-case basis and deny the annexation based on the adverse effect determination and not satisfying Annexation Policy #2. The member agency maintains the right to withdraw its request for annexation at any time

Regional Adverse Effect Situations and Possible Mitigation Measures

Potential Regional Adverse Effect Situations	Possible Mitigation Measures
Potential annexation demand not included in the Water Authority’s UWMP	Requirement for member agency to develop additional supply (offset project)
Actual demands exceed forecast	Water Authority identifies additional supplies (no requirement for offset project)
WSDRP activated	Member agency allocation is not increased by annexation demands during shortage period
Facility constraints	Potential mitigation based on specific situation

Section 4 – Implementation Procedure for Annexation Policy #2

F. Example Utilizing Implementation Procedures

Example: Annexing territory has an existing home that is served by groundwater supply. The property owner is proposing a 100-unit subdivision on the property. The county of San Diego has determined that the groundwater supply is not adequate to serve the proposed subdivision and the territory must be annexed in order to gain development approval. The property owner plans to keep the existing home in addition to developing the subdivision.

Basic Procedures for Implementation of Policy #2: Utilizing the proposed procedures, the following are the basic steps taken in evaluating the annexation in regard to compliance with Water Authority’s Annexation Policy #2. The Part of the procedures is shown followed by the action. As a reminder, in addition to Policy #2, the annexation would be evaluated taking into account the other 12 annexation policies to determine compliance.

Part B. Member agency submits formal request to concurrently annex the territory to the Water Authority and MWD. The request will contain, along with other information: a Board resolution requesting annexation, annexation processing fee, and the items listed in Section B of procedures.

Part C. Water Authority staff would review information submitted by the member agency, initially focusing on verifying the annexing territory’s estimated net imported water demands on the Water Authority. The member agency should consider the following approach to determining estimated net demands. In this example, the baseline demand of the territory would be calculated taking into account the existing home and proposed subdivision. Code based conservation incorporated into the subdivision would be included in the baseline demands. The applicant has agreed to incorporate additional conservation measures, beyond code based measures. The savings from these measures would be subtracted from the baseline demand. The only local supply available to serve the territory is the long-term safe yield of the groundwater supply currently used on the property. The yield would also be subtracted from the baseline demands to then determine the net imported demand on the Water Authority. (The January 2010 *Demand Offset Calculator*, developed by A&N Technical Services for the Water Authority and member agencies would be one potential tool the Water Authority would use to verify net demands.)

Part D. Water Authority staff would then evaluate planning documents along with the regional supply and demand situation. In this example:

- Demands of the proposed annexation are included in the Water Authority’s most recent adopted UWMP.
- Current Water Authority demands are not exceeding the regional demand forecast included in the UWMP for that period.
- The Water Authority Board has activated the WSDRP.
- Existing Water Authority facilities are sufficient to provide average annual and peak deliveries to the annexing parcel along with existing customers.

Part E. Taking into account net demands of the annexing territory and supply and demand situation identified in Part D, a determination would be made as to whether annexing the territory would have an adverse effect on member agency supply reliability.

Section 4 – Implementation Procedure for Annexation Policy #2

As determined in Part D, the Board has activated the WSDRP; therefore the staff preliminary determination would be that the annexation could have an adverse effect. The member agency would be notified of the preliminary determination and have the option of meeting with Water Authority staff to review. If the member agency still wishes to move forward with the annexation, then consistent with the proposed procedures, Water Authority staff would recommend a condition be imposed on the annexation to not increase the member agency's drought allocation base period demand by the net imported water demands while the WSDRP is activated. Under this situation, the member agency would not need to propose a condition to offset demands to remove the finding of adverse effect. The Board would make the final determination regarding compliance with Policy #2 and setting of any conditions associated with approval.

In accordance with the procedures, if the net demands would have been insignificant (5 AFY or less), the proposed determination would be that generally the annexation would not have an adverse effect. If the need for the proposed annexation is for existing health and safety purposes, a determination could be made by the Board that the annexation is exempt from complying with Policy #2. The 100-unit subdivision, in this example, would not fall under either of these two exceptions described above.

Additional situations to further illustrate derivation of potential adverse effect determination (Parts D & E of Proposed Procedures):

1. Water Authority staff would evaluate planning documents along with regional supply and demand situation, consistent with Part D of the procedures. In this example:
 - Demands of the proposed annexation are not included in the Water Authority's most recent adopted UWMP.
 - Current Water Authority demands are not exceeding the regional demand forecast included in the UWMP for that period.
 - The Water Authority Board has activated the WSDRP.
 - Existing Water Authority facilities are sufficient to provide average annual and peak deliveries to the annexing parcel along with existing customers.

Because the annexing territory's demands are not included in the Water Authority's UWMP, the initial recommendation would be that the annexation would have an adverse effect, because long-term supplies have not been identified to meet the demands. In this example, the Water Authority is not able to identify additional supplies, so in order to comply with Policy #2, the member agency would need to develop additional supplies, potentially through an offset project. Guidelines are attached to the proposed procedures for member agencies utilizing a demand offset project.

In addition, because the Board has enacted the WSDRP, the annexation would also have an adverse effect due to current supply shortages. If the member agency still wishes to move forward with the annexation, then Water Authority staff would recommend a condition be imposed on the annexation to not increase the member agency's base by the net imported water demands while the WSDRP is activated.

Section 4 – Implementation Procedure for Annexation Policy #2

In order to comply with Policy #2, in this example situation, the recommendation would be that the member agency would both have to develop additional supplies to offset net demands of the annexing parcel and not have their allocation base increased by the estimated net demands of the annexing territory. The Board would make the final determination regarding compliance with Policy #2 and setting of any conditions associated with approval.

1. Water Authority staff would evaluate planning documents along with regional supply and demand situation, consistent with Part D of the procedures. In this example:
 - Demands of the proposed annexation are included in the Water Authority's most recent adopted UWMP.
 - Current Water Authority demands are exceeding the regional demand forecast included in the UWMP for that period.
 - The Water Authority Board has not activated the WSDRP.
 - Existing Water Authority facilities are sufficient to provide average annual and peak deliveries to the annexing parcel along with existing customers.

Under this example scenario, Water Authority staff would initially determine that increasing demands due to the proposed annexation would cause an adverse effect on member agency supply reliability, because current demands are already exceeding the forecasted numbers included in the UWMP. In this situation, though, the Water Authority was able to identify additional supplies being available from Metropolitan to meet demands until the UWMP forecast could be updated to reflect actual regional usage. In this case, the recommended determination would be that the annexation does not have an adverse effect and that no conditions should be imposed. The Board would make the final determination regarding compliance with Policy #2 and setting of any conditions associated with approval.

G. Guidelines for Member Agencies Utilizing Offset Programs

Under situations where a member agency or applicant utilizes an offset program to mitigate an adverse effect determination associated with the annexation demands not being included in the Urban Water Management Plan (UWMP) or regional demands are exceeding the forecasted demands included in the UWMP, the information below serves as guidelines. The Board has the discretion to modify, eliminate, or impose additional requirements based on the annexation and supply situation.

1. The member agency will be responsible for identifying, developing and maintaining the offset project. The member agency will work with annexing territory in regard to development of the project and any payment/fee to be made by the annexing territory related to the offset project.
2. Prior to final approval of the potential annexation, member agency must provide detailed information on specific offset project that will be used for mitigation (cost, yield, schedule, etc.) and agree that deliveries of imported water will not be made to the annexing territory until the offset project is completed and producing yield.
3. Member agency will certify to the Board that the offset project is in place and producing yield – prior to delivery of imported supplies to annexing parcel.

Section 4 – Implementation Procedure for Annexation Policy #2

4. Member agency will be responsible for derivation of estimated demands, which shall be verified by Water Authority staff. Demands to be offset include existing demands of annexing territory or demands tied to development project plans, environmental documentation, or Tentative Map that will be developed on the annexing territory. Once territory is annexed, customer will be treated like similar classes of service in regard to provision of water delivery and implementation of the WSDRP allocation methodology or subsequent methodology approved by the Board.
5. Additional offsets will not be required if demands increase on the annexing parcel in the future beyond development plans in place or proposed at time of annexation. Future increases in demands will be captured in future planning documents.
6. Offset will be considered a new supply or savings, become a part of member agency municipal supply and be included in member agency planning documents as assisting in meeting supply reliability for the region. The offset project will not be tied to the annexing parcel for purposes of water management, such as allocation of supplies.
7. Through annual reporting, member agency will provide Board status on development and yield of offset project.

Section 5 – Annual Reporting

The member agency shall annually submit to the Water Authority information required to comply with MWD's Administrative Code Section 3107 (Water Use Efficiency Guidelines.) In addition, the member agency shall submit information on any offset project implemented to mitigate an adverse effect determination in order to comply with Water Authority Annexation Policy #2. The information shall include status of development, or if completed, the annual yield. The Board may impose additional reporting requirements based on the specific annexation and conditions imposed. Water Authority staff will ensure that the member agency is in compliance with its reporting before presenting subsequent annexation requests from that member agency to the Board. Staff shall provide any prior member agency reports to the Board for its consideration as part of future annexation requests.

Consistent with MWD's Administrative Code § 3107 Water Use Efficiency Guidelines, reporting will be continuous on an annual basis for a six year period following the latest annexation by the member agency.

Section 6 – Summary of the Annexation Process

Annexation to MWD, the Water Authority, and the corresponding member agency is required prior to delivery of imported water to territory currently outside these agencies' boundaries. The Water Authority's member agency originates the annexation request and works with the Water Authority and the San Diego Local Agency Formation Commission (LAFCO) to satisfy all the annexation requirements. The Water Authority works directly with MWD to ensure that all of MWD's requirements are met. The entire annexation process takes approximately 18 months to complete. Completion of documentation to comply with CEQA and, if applicable, NEPA may lengthen the annexation process timeline. The annexation process is summarized below:

1. Formal annexation request made to the Water Authority's member agency by the property applicant.
2. Member agency adopts a resolution requesting concurrent annexation to the Water Authority and MWD.
3. Member agency submits to the Water Authority information required to process the annexation request, as described in Section 8 of this packet, which includes:
 - a. Annexation request consistent with the Water Authority's Annexation Policies (Section 3 of this packet), the Procedures for Implementing Annexation Policy #2 (Section 4 of this packet), and MWD's Administrative Code Section 3100 a.(b) (Section 7 of this packet),
 - b. Information described in Section 8 of this packet, and
 - c. Water Authority's annexation application fee.
 - d. MWD's processing fee.
5. Water Authority board adopts resolution setting preliminary, informal terms and conditions, and requesting MWD set formal terms and conditions.
6. Property owner(s) and the Water Authority shall enter into an agreement regarding the imposition of the standby charges in accordance with Section 45-5.2 of the County Water Authority Act.
7. Member agency submits the following to the Water Authority for review, and then the Water Authority forwards to MWD:
 - a. Any changes to the annexation documents submitted previously, and
 - b. Documents complying with the California Environmental Quality Act (CEQA).
8. MWD board adopts resolution setting formal terms and conditions of the annexation.
9. Member Agency adopts resolution accepting the Water Authority and MWD's terms and conditions.
10. Water Authority board adopts resolution approving annexation and verifying policies have been met.

Section 6 – Summary of the Annexation Process

11. At the request of LAFCO, the Water Authority, its member agency, and MWD will each submit to LAFCO a Subject Agency Supplemental Information Form regarding the proposed annexation.
12. Member agency obtains LAFCO resolution approving annexation.
13. Member agency forwards annexation payment to MWD and Water Authority, based on current fees and charges.
15. Member agency certifies that all conditions are met.
16. LAFCO records certificate of completion.
17. Following annexation, the member agency shall annually submit for a six year period to the Water Authority information required to comply the Water Authority’s reporting requirements (Section 5 of this packet) and with MWD’s Administrative Code Section 3107 on Water Use Efficiency Guidelines.

The process will stop, if at any step, the Water Authority or MWD denies approval, but the agencies may reinstate the process upon later application.

The table below provides a summary of the major actions taken to process an annexation.

Summary of Major Actions Required to Process an Annexation
Member Agency Board requests concurrent annexation
Water Authority Board establishes preliminary informal terms and conditions
Water Authority Board requests MWD adopt formal terms and conditions
MWD Board consents to the annexation, fixes terms and conditions
Member Agency Board accepts Water Authority and MWD terms and conditions
Water Authority Board grants final approval of annexation verifying terms and conditions have been met

Section 7 – MWD Administrative Code Sections 3100 - 3300

Division III

ANNEXATIONS

Chapter	Section
1.....	Annexation Procedure 3100
2.....	Policies Related to Annexations 3200
3.....	Financial Policies Related to Annexations 3300

Section 7 – MWD Administrative Code Sections 3100 - 3300

Chapter 1

ANNEXATION PROCEDURE

Section

- 3100.Request for Annexation
- 3101.Submittal of Request
- 3102.Board Consideration of Request for Annexation
- 3103.Board Approval of Request for Annexation
- 3104.Mandatory Terms and Conditions
- 3105.Waiver of Charge and Fee
- 3106.Payment Requirement
- 3107.Water Use Efficiency Guidelines
- 3108.Time for Completion of Annexation

§ 3100. Request for Annexation.

- (a) Board approval process.

The Board will act to approve annexations in a two step process, unless a member public agency or proposed member public agency (member public agency) requests a one step Board approval process subject to the General Manager's or Executive Committee's approval. In either case, all annexation requests must comply with all requirements of Section 3100(b), (c) and (d).

- (1) Two step Board approval process.

In a two step Board approval process, the member public agency shall submit requirements of Section 3100(b) for conditional Board consideration and thereafter, when appropriate, the requirements of Section 3100(c) for final Board consideration.

- (2) Optional one step Board approval process.

If a one step Board approval process is selected, a notice of intent, legal description and map (Section 3100(b) 1) must be received and approved by the District prior to filing a submittal request with the Local Agency Formation Commission (LAFCO). Within 30 days of receipt, the District will review, and approve or comment upon these materials. Once LAFCO approval and all other requirements pursuant to Section 3100(b) and (c) have been obtained, the member public agency shall submit said documentation to the District for Board consideration.

- (b) Conditional approval submittal requirements.

Section 7 – MWD Administrative Code Sections 3100 - 3300

A request for annexation of area to the District shall be made in writing and executed on behalf of the member public agency or proposed member public agency within which the area is or is proposed to be situated.

The request shall include:

(1) A legal description and a detailed map of the area proposed to be annexed, clearly indicating the metes and bounds of the area and the gross and net acreage for the area with sufficient documentation to support the gross and net acreage specified;

(2) A certificate from the assessor of the county within which the area proposed to be annexed is situated setting forth the assessed valuation of each parcel included within the area;

(3) Identification of the ownership of each parcel included within the area proposed to be annexed;

(4) A statement setting forth whether the number of voters within the area proposed to be annexed is less than 12, or 12 or more; and

(5) A description of:

(i) Present use of each of the parcels included within the area proposed to be annexed;

(ii) Existing or proposed development plans for such parcels;

(iii) An estimate of total annual and peak demands for water service to the area proposed to be annexed; and

(iv) An estimate of the portion of such annual and peak demands to be supplied by the District.

(6) A plan for implementing the water use efficiency guidelines set forth in Section 3107;

(7) Payment of \$5,000 processing fee to cover the District's cost of handling the request for annexation, unless waived pursuant to Section 3105;

(8) A statement indicating if it is proposed that payment for the annexation charge is to be pursuant to Sections 3106(b) and (c), and sufficient justification to demonstrate security for future payments, in a form approved by the General Counsel with Board approval; and

(9) The member public agency within which the area is situated shall furnish such other information as may be requested by the District's General Manager.

Section 7 – MWD Administrative Code Sections 3100 - 3300

(c) Final approval submittal requirements.

Prior to final approval of the proposed annexation, as provided in Section 3103, the request shall be supplemented by the member public agency with the following materials:

(1) Any changes to the annexation documentation submitted previously;

(2) Certified copy of member public agency resolution requesting approval of the annexation; and

(3) Documents complying with the California Environmental Quality Act (CEQA).

(d) Annexation completion requirements.

Prior to submitting a request to LAFCO for recording the Certificate of Completion for the proposed annexing area, the member public agency must submit to the District the following materials:

(1) Certified copy of member public agency resolution(s) accepting District final terms and conditions and ordering a reorganization;

(2) Payment of the annexation charge pursuant to Section 3106(a) or provision of appropriate and fully executed documentation pursuant to Section 3106(b); and

(3) Certified copy of LAFCO resolution approving the annexation to the member public agency.

(e) Reattachment requests.

The General Manager is authorized to approve, without payment of processing fees or annexation charges, the reannexation of any territory which has deannexed from the District under reasonable terms and conditions as may be established by the General Manager, which shall include payment of any property taxes, standby charges or other avoided charges for the period of deannexation.

M.I. 38048 – January 9, 1990; subparagraph (a)(5) added and amended by M.I. 38538 - October 9, 1990, paragraph (a) amended by M.I. 40406 - August 24, 1993; amended by M.I. 41898 - May 14, 1996; paragraph (a) amended by M.I. 42193 - December 10, 1996; paragraphs (a), (a)(1), (b), (b)(9), (c)(2) amended, (c)(3) deleted, (c)(4) renumbered, paragraphs (d)(1) and (2) amended, (d)(3) added, and paragraph (e) amended by M. I. 44582 – August 20, 2001.

§ 3101. Submittal of Request.

A request for annexation and all information required in connection therewith shall be submitted to the General Manager.

M.I. 38048 – January 9, 1990; amended by M. I. 44582 – August 20, 2001.

Section 7 – MWD Administrative Code Sections 3100 - 3300

§ 3102. Board Consideration of Request for Annexation.

The Board, and any standing committee of the Board reviewing a request for annexation, will consider such request at their next regular meeting taking place no earlier than 75 days after receipt by the District of the request for annexation and all information required to be submitted by the one or two step Board approval process.

M.I. 38048 – January 9, 1990; amended by M.I. 38538 - October 9, 1990, amended by M.I. 40406 - August 24, 1993; amended by M.I. 41898 - May 14, 1996; amended by M. I. 44582 – August 20, 2001.

§ 3103. Board Approval of Request for Annexation.

(a) Two step Board approval process

Unless otherwise stated in the request for annexation, the Board will act on the request:

- (1) By establishing preliminary terms and conditions for the conditional approval of the annexation upon filing of the submittals required by Section 3100(b).
- (2) By considering final approval of the annexation subject to terms and conditions then to be established after receipt of the submittals required by Section 3100(c).

(b) Optional one step Board approval process

If requested by the member public agency, the Board will consider approval of the annexing area subject to terms and conditions then to be established after receipt of all submittals required pursuant to Sections 3100(b) and (c).

M.I. 38048 – January 9, 1990; paragraph (a) amended and paragraph (b) added by M.I. 41898 - May 14, 1996; paragraphs (a)(1) and (a)(2) amended by M. I. 44582 – August 20, 2001.

§ 3104. Mandatory Terms and Conditions.

All terms and conditions of annexation shall contain the following provisions:

(a) The sale and delivery of all water by the District, regardless of the nature and time of use of such water, shall be subject to regulations promulgated from time to time by the District.

(b) Except upon terms and conditions specifically approved by the Board, water sold and delivered by the District shall not be used in any manner which intentionally or avoidably results in the direct or indirect benefit of areas outside the District including use of such water outside the District or use thereof within the District in substitution for other water used outside the District.

Section 7 – MWD Administrative Code Sections 3100 - 3300

(c) No District water shall be sold or delivered to any member public agency for use, directly or indirectly, for agricultural purposes as defined in Section 4106 within the annexing area.

(d) The District shall not be obligated to provide additional works or facilities, necessitated by the annexing area, for the delivery of water from works owned and operated by the District.

(e) The annexation shall be completed by the date established pursuant to Section 3108(a).

M.I. 38048 - January 9, 1990, paragraph (e) added by M.I. 40406 - August 24, 1993.

§ 3105. Waiver of Charge and Fee.

The processing fee and the annexation charge may be waived in cases where the Board itself requests a small annexation to prevent or close a "window" in an existing member public agency or pursuant to Section 3100(e).

M.I. 38048 – January 9, 1990; amended by M.I. 41898 - May 14, 1996.

§ 3106. Payment Requirements.

(a) All annexation charges shall be paid in full in cash prior to completion of the annexation except where the Board approves installment payments pursuant to Section 3106(b) and (c).

(b) Subject to Board approval, a portion of the annexation charge may be paid in installments upon terms and conditions listed in Section 3106(c), and in form approved by the General Counsel, if the member public agency assumes the obligation for said payments, to be collected as part of monthly water sales invoices, or other security is provided which guarantees said payments.

(c) Installment payments shall be subject to the following terms and conditions pursuant to each ownership:

- (1) Minimum down payment of 10%.
- (2) Maximum term of 15 years.
- (3) Interest at the greater of the weighted average yield on invested funds of the District or the Districts then current cost of borrowing funds.
- (4) Minimum net annexation acreage of 50 acres; or
- (5) Under such other conditions as may be determined by the Board of Directors.

Section 7 – MWD Administrative Code Sections 3100 - 3300

M.I. 38048 – January 9, 1990; paragraph (a) amended and paragraphs (b) and (c) added by M.I. 41898 - May 14, 1996.

§ 3107. Water Use Efficiency Guidelines.

The member agency representing the parcels considered for annexation shall submit evidence of compliance with the following:

(a) Annual member agency water demand shall be minimized by incorporating water conservation measures into new development plans and service agreements. Use of groundwater, local surface water, and recycled wastewater supplies shall be maximized to reduce demands on the District.

(b) Peak demands on the District shall be minimized by construction and operation of local storage and groundwater production facilities. Member agencies shall offer all District sponsored water conservation programs to new developments and encourage participation in those programs. Member agencies shall offer a specific program, independent of District funding, to new development to encourage water use efficiency of landscapes or other water savings opportunity.

(c) Recycled water of adequate quality shall be used whenever it is available to be used, in accordance with California Water Code Sections 13550-13554.

(d) "Best management practices" conservation measures shall be conditioned on all new developments within the member agency consistent with applicable City or County building codes for areas already within the District, and to District water conservation guidelines for annexing areas.

(e) Local storage, groundwater production capacity, system interconnections, and other measures shall be able to sustain a 7-day interruption in service from the District pursuant to MWD Administrative Code Section 4503 "Suspension of Deliveries."

(f) The member agency, wholesale water agency, and local water purveyor of the annexing area shall be signatories and in compliance with the California Urban Water Conservation Council (CUWCC) Memorandum of Understanding (MOU) Regarding Urban Water Conservation in California. The District may request amendments to the water conservation measures to be imposed on new development within the member agency based on current water-use efficiency policies and reasonable conservation practices and measures.

Reporting Requirements:

The member public agency shall be responsible for assuring compliance with these provisions and shall report to the District on a yearly basis regarding such compliance. Reports would include the following information regarding the member agency:

(a) Incorporated conservation measures in new development plans and service agreements;

Section 7 – MWD Administrative Code Sections 3100 - 3300

- (b) Recycled water, groundwater, and local surface water use including total annual production of local water supplies;
- (c) 7-day interruption contingency;
- (d) Report as submitted to CUWCC; and
- (e) Member agency and local water purveyor shall have submitted a current Urban Water Management Plan (UWMP) provided the agency or purveyor is required to submit a UWMP under State law.

District staff shall review the reports and provide an annual information report to the Board on member agencies' reporting compliance. District staff will ensure that the annexing member agency is in compliance with its reporting before presenting subsequent annexation requests to the Board. Staff shall provide any prior member agency reports to the Board for its consideration in future annexation requests. The District's CEO or designee is authorized to make minor adjustments to reporting requirements for member agencies as deemed reasonable and appropriate. Reporting requirements under this section of the Code are required for annexation request after April 1, 2005. Reporting will be continuous on an annual basis for a six-year period following the latest annexation by the member agency.

M.I. 38538 – October 9, 1990; amended by M.I. 39787 - August 20, 1992; amended by M.I. 41898 - May 14, 1996; paragraphs (a), (b), (c), (d), and (e) amended, and paragraph (f) added by M. I. 45941 – October 12, 2004.

§ 3108. Time for Completion of Annexation.

(a) The annexation shall be completed by December 31 of the year following the year in which the annexation receives approval of the Board. If the annexation is not completed by that date, a new request in conformance with Section 3100(b) and (c) must be made. A one year extension of the time in which to complete the annexation may be granted if a request for the extension is made in writing by the member public agency prior to the expiration date. The request for extension of time shall include the following:

- (1) Specific details as to why the annexation could not be completed within the time provided;
- (2) A resolution from the member public agency requesting an extension of time and reaffirmation of the terms and conditions established by the Board;
- (3) Any changes that have occurred in the circumstances of the annexation since the terms and conditions were established;
- (4) Payment of a \$1,500 processing fee to cover the District's costs of handling the request for time extension;
- (5) A certificate from the assessor of the county within which the area proposed to be annexed is situated setting forth the assessed valuation of each parcel included within the area; and

Section 7 – MWD Administrative Code Sections 3100 - 3300

(6) Any other information as may be requested by the District's General Manager.

(b) If the General Manager finds that there is no significant change in the circumstances surrounding the annexation, he shall grant an extension for one year subject to any new mandatory terms and conditions which have been adopted by the Board since the original approval of the annexation, and further subject to payment of the current annexation charges. If the General Manager finds that there are significant changes in the circumstances surrounding the annexation, he shall submit the request for extension to the Board in accordance with Section 3102.

(c) The General Manager shall find that there is a significant change in the circumstances surrounding the annexation if the size of the annexation area changes, the proposed water usage in the annexation area increases, the intensity or type of land use changes, the CEQA documents are modified or additional documents are issued, or there is any other change in the circumstances of the annexation which the General Manager deems to be significant.

M.I. 40406 - August 24, 1993; amended by M.I. 41898 - May 14, 1996.

Section 7 – MWD Administrative Code Sections 3100 - 3300

Chapter 2

POLICIES RELATED TO ANNEXATIONS

Section

3200. Water Availability

3201. Annexation Criteria - Avoidance of Windows

§ 3200. Water Availability.

In treating with application for annexation as member public agencies the District will give its favorable consideration only to areas of sufficient size and water requirements to justify as economically feasible the delivery of imported water. Preferably such areas should be so located as to control the entire production of water from local underground water basins affected.

Section 301.1.2 - Special Water Problems Committee - October 26, 1938. Section 301.1.2 repealed and Section 3100 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; renumbered Section 3200 by M.I. 38048 – January 9, 1990; amended by M.I. 41898 - May 14, 1996.

§ 3201. Annexation Criteria - Avoidance of Windows.

An area proposed for annexation shall not, after annexation, leave an unannexed area entirely surrounded by area annexed to the District ("window") unless the Board finds that the District's interests will not be adversely affected by the existence of such window.

Section 301.5 based on Water Problems Committee Statement - November 19, 1962; amended by M.I. 36333 - October 14, 1986. Section 301.52 repealed and Section 3102 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; renumbered Section 3201 by M.I. 38048 – January 9, 1990.

Section 7 – MWD Administrative Code Sections 3100 - 3300

Chapter 3

FINANCIAL POLICIES RELATED TO ANNEXATIONS

Section

3300. Annexation Charge Computation

3301. Taxes for Past Annexations

§ 3300. Annexation Charge Computation.

Annexation Charge - The annexation charge for areas newly annexing to the District shall be the greater of the amounts computed under Sections 3300(a) and 3300(b):

(a) Back-Tax Computation - The annexing area shall be required to pay an amount that bears the same relation to total District taxes levied and annexation taxes to be levied (both exclusive of interest or adjusting factors) as the assessed valuation of the annexation area bears to the assessed valuation of the District, all data to be as of the August 31 preceding the year in which the annexation will be effective, and back interest to be simply calculated by multiplying the amount established as the bare back tax obligation by 5 percent and the resultant by half the number of years since taxes were first levied by the District.

(b) Per-acre Charge - The annexation charge per acre of land, other than land devoted to public roads, streets, highways, and freeways, to be paid by the annexing areas shall be determined by dividing the sum of the estimated replacement cost of the District's facilities and the participation rights in facilities of the State Water Project and other non-District owned projects in which Metropolitan participates, less accumulated depreciation of the District's facilities and participation rights on a replacement cost basis, less outstanding bonded indebtedness of the District's facilities and participation rights, by the total acreage within the service area of the District, all as of the end of the recently completed fiscal year.

M.I. 38048 – January 9, 1990; amended by M.I. 38304 - June 12, 1990; paragraph (b) amended by M.I. 39744 - July 14, 1992; paragraph (b) amended by M.I. 40406 - August 24, 1993; amended by M.I. 41204 - January 10, 1995; paragraph (b) amended by M. I. 46106 – February 8, 2005.

§ 3301. Taxes for Past Annexations.

(a) Effective with the 1981-82 fiscal year a tax rate of 18.75 cents per \$100 of assessed valuation (to be stated as .1875% for tax levying and collecting purposes) has been established to collect annexation charges from areas annexed to the District after September 13, 1966 and before July 1, 1978 and such rate shall be continued until the annexation charge and interest on unlevied balances thereof have been raised provided, however, that in an area annexing after August 19, 1976 and before July 1, 1978 such rate shall in no event be levied for any fiscal year following the fiftieth year after the area has been annexed to the District.

Section 7 – MWD Administrative Code Sections 3100 - 3300

(b) Effective with the 1981-82 fiscal year a tax rate of 18.75 cents per \$100 of assessed valuation (to be stated as .1875% for tax levying and collecting purposes) has been established to collect the balance of the annexation charges from areas which annexed to the District prior to September 13, 1966, and such rate shall be continued until said balance of the annexation charges and interest on unlevied balances thereof have been raised.

(c) If for any reason (due to adoption in this State of tax limitation Constitutional initiatives, legislation or otherwise), any or all of the District's taxes to raise the minimum annexation charge are unable to be levied, then the Board shall have the option to collect such charge, or unlevied balances thereof, with interest at 5 percent per annum, within said area through any lawful means now, or to become, available to the District.

M.I. 38048 – January 9, 1990; paragraph (a) & (b) amended by M. I. 47286 - November 20, 2007.

Section 8 – Information Required to Begin Processing Annexation Requests

This section provides a summary of the information that the Water Authority and MWD require to begin processing annexation requests. Additional information may be requested based on the unique nature of each annexation proposal.

The annexation request shall be consistent with the Water Authority's Annexation Policies and Procedures for Implementing Annexation Policy #2, Protection of Member Agency Supply Reliability. The request shall also be consistent with MWD's Administrative Code Section 3100.

The following should be provided by the member agency to the Water Authority as part of the annexation request:

1. Member agency resolution requesting concurrent annexation to the Water Authority and MWD. Resolution should contain:
 - a. A legal description and a detailed map of the area proposed to be annexed, clearly indicating the metes and bounds of the area and the gross and net acreage for the area with sufficient documentation to support the gross and net acreage specified.
 - b. Annexation will be in accordance with the County Water Authority Act and applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.), and not to conflict with Division III, Annexations, of the Metropolitan Water District of Southern California Administrative Code [Annexation Policy #1].
 - c. Facilities and works necessary to connect annexed territory to Water Authority facilities and works shall be provided at the cost of the annexed territory, as determined by the Board [Annexation Policy #7].
2. A detailed explanation of the reason(s) for the annexation request.
3. Payment of the Water Authority's \$10,340 annexation application fee.
4. Identification of the ownership of each parcel included within the area proposed to be annexed.
5. A certificate from the assessor of the county within which the area proposed to be annexed is situated setting forth the assessed valuation of each parcel included within the area.
6. Current and proposed general plan and zoning for annexing territory. Include the present land use of each of the parcels within the area proposed to be annexed.
7. Existing and proposed development plans for the parcels. Include proposed development design, density, intensity, and improvements. Include proposed timing, pace, and phasing of development of the annexing property.

Section 8 – Information Required to Begin Processing Annexation Requests

8. Whether the proposed project associated with the annexation includes land already within the Water Authority's service area.
9. Whether the property is within the member agency's sphere of influence.
10. Preliminary estimate of current water use, and projected average annual and daily peak demands for water service to the area proposed to be annexed, including the portion to be supplied by the Water Authority (imported supply), and that to be supplied by local sources. Demands should be provided for both current and proposed land use and development. Describe method used to determine local and imported water demands. Include relevant supporting documentation, such as water quality testing or groundwater well analyses.
11. Information regarding proposed water conservation improvements and plans, including landscape restrictions and plans for recycled water usage.
12. Information regarding current and planned supplies of the member agency.
13. Whether the proposed annexation and demands were included in the member agency's planning documents.
14. Estimates for use of member agency local supplies to serve the annexing property, including any potential supplies generated from "off-set" programs implemented by the member agency for the property proposed to be annexed. Guidelines for member agency offset program to be utilized as part of annexation request are included in section 4 of this packet, under *Guidelines for Member Agencies Utilizing Offsets*.
15. Member agency infrastructure requirements to serve the annexing property.
16. Information necessary to permit the Water Authority to comply with the CEQA. Current information regarding documentation necessary to comply with the California Environmental Quality Act (CEQA), and the National Environmental Policy Act (NEPA), if applicable. As responsible agency under CEQA, the Water Authority should receive all distributed public drafts, and be consulted early in the process. Compliance with CEQA and NEPA must be met before MWD and the Water Authority would consider final approval of an annexation.

In addition, following establishment of initial terms and conditions by the Water Authority and before MWD's Board would consider annexation, the following must also be submitted to the Water Authority for transmittal to MWD:

1. A plan for implementing the water use efficiency guidelines set forth in MWD's Administrative Code Section 3107. Water Authority staff will work with its requesting member agency on development of the proposed plan.
2. MWD's \$5,000 processing fee will be required before MWD considers the annexation.

Section 9 – Summary of Annexation Fees and Charges

Annexation charges and fees will be consistent with the Water Authority's Act and Annexation Policies, and MWD's administrative code.

The Water Authority will accept applications for annexation upon payment of the required administrative fee to cover costs associated with processing the annexation. Before consideration of the proposed annexation by MWD, and following action by the Water Authority Board of Directors to establish preliminary terms and conditions, the owner(s) of the annexing territory shall provide payment of MWD's processing fee. Administrative fees current as of July 2017 are:

- Water Authority annexation application fee: \$10,340
- MWD processing fee: \$5,000

The owner(s) of the annexing territory shall provide payment of annexation fees upon final approval of the annexation by the Water Authority, before LAFCO files a notice of completion. The annexation fees current as of July 2017 are:

- MWD annexation fee: \$5,536 per acre of annexed land