Article 220 Annexation Procedures

Sec. 220.1 General Policy. Territory not currently in the jurisdictional boundaries of the Valley Center Municipal Water District ("District") may seek annexation to the District.

(a) Any property owner proposing to annex any territory ("Applicant") to the District shall submit a written request for annexation ("RFA") in accordance with Section 220.2. At the time of submission of the RFA, the territory proposed to be annexed to the District shall be:

1. Within the jurisdictional boundaries of the San Diego County Water Authority ("SDCWA") and the Metropolitan Water District of Southern California ("MWD"); or

2. Concurrently being considered for annexation to SDCWA and MWD in accordance with any policies and procedures, regulations, and terms and conditions of annexation as may be established by those agencies.

(b) All annexation proceedings shall comply with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code section 56000 and following) (the "Act"), as amended from time to time.

(c) The District Board, at its sole discretion, may approve or deny an RFA based upon its assessment of a number of factors, including, but not limited to:

1. The positive or adverse short and long-term impacts that the proposed annexation may have on water supply reliability to territory currently within the District's service area;

2. The demonstrated ability of the annexing territory to comply with any terms, conditions, including any mitigation measures, assigned to the proposed annexation;

3. The adequacy of District facilities and ability of the District to efficiently provide water services to the territory proposed to be annexed.

(d) All direct and indirect costs of compliance with the terms, conditions, including any mitigation measures, assigned to the annexation application shall be the responsibility of the Applicant.

Sec. 220.2 Request for Annexation. Applicants shall be the owners of the territory proposed to be annexed to the District. Applicants shall submit an RFA in a form prescribed by the District, and a description of the area proposed to be annexed. Such description shall be made by reference to a map on file with the District, which map shall govern for all details as to the extent of the area proposed to be annexed. The RFA shall be submitted concurrently with an application for annexation to SDCWA and MWD, if applicable.

(a) Upon receipt of the RFA, the Applicant shall have an initial meeting with District staff to review the reasons for the annexation request, intended use on or development of the territory to be annexed, as well as the District's annexation policies, procedures, tentative terms and conditions, including any possible mitigation measures, for completion of annexation.

(b) If the Applicant desires to move forward with the RFA, the Applicant shall deposit $10,000.00 with the District to reimburse the District for its administrative, processing, investigation, and review costs and expenses (including data collection, engineering and legal analysis, preparation of maps and legal descriptions, and application documents) including all costs of District staff and retained consultants incurred as a result of the annexation proceedings and the concurrent annexation to SDCWA and MWD, if applicable.

(c) Once the annexation deposit is made, the Applicant shall provide the District, as it deems appropriate and necessary, any additional technical information and detailed data concerning site conditions, existence of local surface and groundwater, and the intended uses and associated gross and net imported water demands for proposed development on the annexing territory so as to complete the formal annexation application and recommendation for submission to the Board of Directors.

(d) In order for the District to recover all costs incurred in connection with the annexation, Applicants shall be periodically charged in advance for any anticipated costs and expenses that the District may incur in connection with the annexation proceedings. Any such charges shall be paid in a timely manner to maintain active processing of the RFA. Upon completion of the annexation process, any excess funds will be refunded to the Applicant.

(e) Prior to the District Board of Directors' adoption of an Ordinance approving an annexation of territory, the Applicant shall pay a separate "Annexation Charge", in the amount of $1,280 per acre, in accordance with Section 220.6.

Per Ordinance No. 2026-11, Adopted 8/3/26, *Effective September 4, 2026* [Sec. 220.2(e)]
Per Ordinance No. 2025-06, Adopted 7/7/25, *Effective August 8, 2025* [Sec. 220.2(e)]
Per Ordinance No. 2024-06, Adopted 4/15/24, *Effective July 1, 2024* [Sec. 220.2(e)]
Per Ordinance No. 2023-06 Adopted 6/19/23 [Sec. 220.2(e)]
Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.2(e)]
Per Ordinance No. 2020-16 Adopted 12/21/20 [Sec. 220.2(d)(e)]

Sec. 220.3 Initial Water Supply Impact Analysis. Upon receipt of the RFA, the District will perform an analysis of the potential impact the proposed annexation may have on District facilities and the water supplies available to existing District customers and any property within the District that currently is not connected to or does not receive water from District water facilities and supplies. That analysis shall include, but not be limited to, consideration of the following factors:

(a) Water demands associated with the annexation are or are not included in the current Urban Water Management Plans (UWMP) of SDCWA and the District.

1. Pursuant to SDCWA's Annexation Policy, an SDCWA member agency annexing territory outside the current jurisdictional boundaries of SDCWA, for which service was not included in SDCWA's current UWMP, will not be provided a water allocation adjustment.

2. A new water supply must be developed to offset the net imported water demand associated with the annexing territory.

(b) Current imported water demands among all SDCWA member agencies are or are not exceeding those forecasted in the UWMP for the District and/or SDCWA.

1. By adopted SDCWA policy (even though service to annexing lands is anticipated in the current SDCWA UWMP) if current SDCWA water demands exceed those anticipated in the current UWMP for SDCWA and/or the District, the District will not be afforded an additional water allocation.

2. A new water supply must be developed to offset the net imported water demand associated with the annexing territory.

(c) Whether SDCWA has or has not activated its respective Water Supply Shortage Contingency Plan and/or the District has activated its Water Use Efficiency and Drought Response Program pursuant to Article 230 of this District Administrative Code . If SDCWA has activated its Water Supply Shortage Contingency Plan and/or the District has activated its Water Use Efficiency and Drought Response Program, the District shall consider the water conservation measures and other drought response measures then in effect under the declared Drought Response Program Level.

1. By adopted SDCWA Annexation Policy, a member agency annexing land will not be provided an additional water allocation if SDCWA has implemented its Water Supply Shortage Contingency Plan.

Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.2(b)(c)]

Sec. 220.3 Initial Water Supply Impact Analysis (Cont'd.)

2. This policy shall apply to all property, including those anticipated to receive water service in the current UWMP and irrespective of whether or not SDCWA water demands are within those anticipated in the UWMP then in effect.

3. A new water supply must be developed to offset the net imported water demand associated with the annexing territory under conditions set forth in Article 230 of the District Administrative Code, Sections 230.7(d) and 230.9(c), and as reflected in Sec. 220.4 of this Article 220.

Sec. 220.4 Water Supply Conditions At time of Annexation Request. If the District has activated its Water Use Efficiency and Drought Response Program pursuant to Article 230 of the District Administrative Code, at the time an RFA is made to the District, the following procedures for and conditions under which RFAs will be accepted and processed based upon the declared drought response conditions, as defined in Article 230 of this District Administrative Code, shall apply:

(a) Drought Response Levels 1 and 2 (§ 230.5 and § 230.6) – Under *Drought Response Levels 1 and 2,* RFAs will be processed under the procedures, terms, and conditions as set forth in this Article 220 and without the extraordinary conditions imposed in Levels 3, 4, 5, and 6 described below.

(b) Drought Response Levels 3 and 4 (§ 230.7 and § 230.8) - Upon the declaration of a *Drought Response Level 3 or 4*, all existing and new annexation proposals which can provide to the District additional water resources (i) offsetting the net water demand impact for the specific projects in the territory proposed to be annexed and (ii) providing .5 acre feet per year of additional water supply per unit of development in the annexing area to meet firm Municipal and Industrial demands within the existing District service area, will continue to be processed or have RFAs considered by the District. For the purposes of this subsection, "additional water resources" means:

1. Water resources originating from outside the current jurisdictional boundaries of the District; and

Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.4 (a)(b)]

2. Water resources developed as a result of financial support from the annexing properties for local water resource development opportunities within the District determined to be available for annexing territories. Local water resource development opportunities available for annexing lands shall be identified after first determining the level of local water resource development opportunities which may be required to accommodate development on property currently within the District's jurisdictional boundaries.

(c) Drought Response Levels 5 and 6 (§ 230.9 and § 230.10) - Upon the declaration of a *Drought Response Level 5 or 6*, any and all development and annexation processing with associated direct water usage shall be terminated and no new temporary or permanent potable water meters shall provide potable water service (such as, will serve letters, certificates or letters of availability) shall be issued except under the following circumstances:

1. A valid, unexpired building permit has been issued for the project; or
2. The project is necessary to protect the public's health, safety, and welfare; or
3. The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of the District.

Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.4 (c)]

Sec. 220.5 Setting of Terms and Conditions for Annexation After the RFA has been filed and the initial meeting is held with District staff, if the Applicant desires to move forward and the required deposit is placed, the District will conduct an analysis of the data submitted with the RFA, evaluate and develop draft terms and conditions, including any mitigation measures, to be required for the proposed annexation.

(a) Terms and conditions for annexation shall include, but are not necessarily limited to:

1. Any appropriate annexation fees and charges required pursuant to Sections 220.2, 220.6, and 220.7;

2. Completion of the Water Conservation and Supply Demand Analysis as set forth Section 220.8;

3. Identification of any new facilities and/or improvements to existing facilities to be constructed at the sole expense of the Applicant for connection of and service to the territory to be annexed, as set forth in Section 220.7, as well as any additional terms and conditions which may be required because of conditions and circumstances specific to the annexation proposal and the territory proposed to be annexed to the District;

(b) The draft terms and conditions for annexation shall be presented in the formal RFA, which will be presented for consideration by the District Board of Directors at such time as it acts to approve or deny the RFA.

(c) If the territory proposed for annexation to the District is not currently within MWD's and SDCWA's jurisdictional boundaries, then those agencies may establish their own terms and conditions of concurrent annexation separate and apart from those established by the District.

Sec. 220.6 Annexation Charge. In addition to the preliminary annexation processing fees set forth in Section 220.2, an "Annexation Charge" shall be identified and paid in full by the Applicant prior to the District Board of Directors' adoption of an Ordinance approving the annexation.

(a) The Annexation Charge shall be calculated as follows:

1. The calculated portion of Facility Assets attributed to Availability Charges and Taxes Available for Capital Projects divided by the total non-exempt acreage in the District; plus,

2. The sum of the following Corporate Assets divided by the total Acreage in the District less the tax-exempt acreage in the District not benefiting from water service:

   a. The current value of Non-Facility Assets, excluding any other annexation fees and charges paid by the Applicant pursuant to § 220.2; plus,

   b. The current value of Corporate Facility Assets; plus,

   c. The original value of land associated with the Corporate Facility Assets.

(b) The value of the Facility Asset referenced above shall be as represented in the most recently approved technical memorandum setting the meter capacity and annexation charges. Fund amounts included in Non-Facility Assets shall be as determined in the most recent District audited financial statements. The Annexation Charge may be fully or partially waived, or re-calculated, based upon the specific circumstances of each annexation application, such as the relative benefit to be derived from existing District infrastructure.

Sec. 220.7 Annexation of Tax Exempt Private Use Property. Any territory proposed to be annexed to the District, which is exempt from real property taxes but is intended to be used for private purposes shall be deemed to be "private use property," and shall be subject to an "In Lieu Fee" in addition to the Annexation Charge set forth in Section 220.6 above.

(a) For purposes of this Section 220.7, a territory is considered intended to be used for private purposes if it is primarily intended to be used for residential, commercial, industrial, or agricultural purposes.

(b) For purposes of this Section 220.7, territory owned by charitable, educational, or governmental entities is considered to be used for private purposes if the charitable, educational, or governmental entity derives revenue from the use of the territory and the majority of the revenue results from sales and/or user fees and charges.

Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.6 (a)]
Per Ordinance No. 2020-16 Adopted 12/21/20 [Sec. 220.6(a)5.]
Per Ordinance No. 2018-04 Adopted 4/16/18 [Article 220.6(a) & (b)]

Sec. 220.7 Annexation of Tax Exempt Private Use Property (Cont'd.)

(c) The determination of whether a territory is deemed to be "private use property" shall be made at the time of annexation for the developed territory. All undeveloped territory shall be deemed to be "private use property."

(d) The In Lieu Fee per acre due under this Section 220.7 shall be calculated by determining the present value of the average real property taxes and special assessments collected during the previous fiscal year, using the District's average investment yield as of the previous June 30 and a term of infinity. Average real property taxes and special assessments shall be calculated as follows:

1. Total real property taxes collected by the District at the conclusion of the most recent fiscal year, including the District's share of the 1% real property tax collection;

2. Divided by: total acreage in the District;

3. Plus: special assessments, including MWD's assessment toward the District's share of its readiness-to-serve charge.

Sec. 220.8 Water Conservation and Supply Demand Analysis The Applicant shall complete a Water Conservation and Supply Water Demand Analysis for each development project proposed within the proposed territory to be annexed to the District which shall (i) assess the total water demand of each development project; (ii) evaluate utilization or development of local surface, ground, and reclaimed water supplies to reduce the net imported water demands of each development project; and (iii) indicate how each development project will meet the water demand supply requirements then in effect by:

(a) Accounting for available groundwater and surface water supplies in the annexing territory and demonstrating how the Applicant intends to use these supplies in the annexing territory;

(b) Maximizing, to the extent feasible, the use of recycled water in the annexing territory in accordance with, but not limited to, the California Water Code, Title 22 of the California Health and Safety Code, the Federal Clean Water Act, and the District's Administrative Code;

Sec. 220.8 Water Conservation and Supply Demand Analysis (Cont'd.)

(c) Incorporating water conserving design and improvements in building, grading, landscaping, irrigation, storm water runoff, and other similar development and construction plans;

(d) Incorporating water conserving design, features, devices and appliances and improvements within all residential, commercial, and industrial structures;

(e) Requiring ongoing operations and maintenance of water conserving landscaping, materials and equipment within the development through covenants, codes, and restrictions; and

(f) Providing additional water resources for each development project to, at minimum, fully offset the net imported water demand under normal water supply conditions or to the additional levels set forth in Article 230, Water Use Efficiency and Drought Response Program, based upon the requirements of the supply response level in effect at the time the RFA is filed.

Sec. 220.9 Facilities Necessary to Connect and Serve Annexing Territory. New facilities and improvements to existing facilities necessary to connect and serve the annexed territory shall be determined by the District and constructed at the sole cost of the Applicant.

Sec. 220.10 Environmental Compliance. Annexation to the District may be deemed to be a project subject to the California Environmental Quality Act and, if applicable, the National Environmental Policy Act. The Applicant for annexation is responsible for paying the costs of expenses of any environmental review pertaining to the RFA and consideration by the Board of Directors of the annexation of his territory to the District.

Per Ordinance No. 2022-02 Adopted 2/7/22; Effective 3/14/22 [Sec. 220.8 (f)]