Nevada Irrigation District

Staff Report

TO: Board of Directors

FROM: Greg Jones, Assistant General Manager

DATE: November 16, 2026

SUBJECT: **Draft Annexation Policy - Workshop**

ADMINISTRATION

RECOMMENDATION
Discuss and provide direction to staff on the proposed Annexation Policy.

BACKGROUND
The District receives interest in water service from properties that are not currently within its jurisdictional boundary. These properties include parcels located within the District's existing service boundary but not annexed (Island Parcels), as well as certain properties outside the existing District boundary that may receive water service under a Railroad Commission Order (RCO Lands). Annexation may allow eligible properties to receive District services and facilities as in-District customers, subject to demonstrated need, water availability and reliability, operational and financial feasibility, legal requirements, and all required approvals.

The revised draft policy establishes a uniform process for receiving, evaluating, funding, and advancing annexation requests. It is intended to ensure that annexation decisions are consistent with the District's mission, protect existing District customers from redirected water-supply impacts or financial subsidy, and comply with applicable legal and regulatory requirements. The policy does not create a right to annexation or approve any individual proposal; the District may condition or deny an annexation request in its discretion.

The revised Annexation Policy provides a structured framework beginning with an informal discussion with the Assistant General Manager, followed by a written property-owner request with parcel, ownership, current-use, and proposed land-use information. A complete request must include an executed Pre-Annexation Agreement and a non-refundable $20,000 deposit before the District processes and considers the proposed annexation. Staff would evaluate water demand, the source and reliability of water supplies, legal and environmental requirements, and the revenues and expenses associated with the annexation.

The policy distinguishes applicant-initiated Island Parcel annexations, District-initiated Island Parcel annexations, and RCO Lands annexations. NID Board

consideration is required before an application advances to the applicable Local Agency Formation Commission (LAFCo), which is the ultimate approving and processing body. State Board of Equalization approval is also required to the extent required by law. The policy states that approval is not guaranteed and permits the District to discontinue the process if LAFCo imposes terms or conditions that are unacceptable to the District.

KEY POLICY PROVISIONS

- Requires an informal discussion with the Assistant General Manager, a complete written request, parcel and land-use information, and an executed Pre-Annexation Agreement.
- Requires a non-refundable $20,000 annexation deposit and additional applicant deposits if processing funds are expended or forecasted to be exhausted.
- Requires evaluation of water demand, water-supply source and reliability, legal and environmental requirements, and preparation of a revenue and expense plan before the Board considers advancing an annexation application.
- The revenue and expense plan addresses property-tax allocation, changes in water-sales revenue for existing out-of-District customers, and any proposed District conveyance-system improvements.
- Generally requires contiguous territory and establishes a 50-acre minimum unless authorized by the General Manager or satisfied through the simultaneous annexation of smaller parcels.
- Provides that the District is not obligated to extend District-owned conveyance systems; Board-approved new or expanded infrastructure must be fully funded by the requesting party or parties and supported by contractual assurances.
- Requires compliance with District regulations, restrictions on outside use, water-efficiency and conservation requirements, environmental review, and Board, LAFCo, and, when required by law, State Board of Equalization approvals.

BUDGETARY IMPACT

Adoption of the policy is not expected to create a direct budgetary impact. Applicants must fund annexation processing through the non-refundable $20,000 deposit, any additional deposits estimated by staff, applicable fees, and other amounts required under the Pre-Annexation Agreement. Unexpended funds collected beyond the non-refundable deposit are to be returned after completion or termination of the process. Any District-initiated annexation or proposed District-funded infrastructure would be presented separately for Board authorization and appropriation. The Board may also establish an Annexation Conversion Fee; for In-District Island annexed lands, the revised policy identifies a rate of $100 per acre, increased annually by 3 percent.

ATTACHMENTS

- Draft Annexation Policy (Policy No. 3350)

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Annexation Policy
POLICY NUMBER: 3350

3350.1 Annexation Commencement Procedures

The Nevada Irrigation District (District) recognizes that certain properties located within its existing service boundary but not annexed (Island Parcels) and certain properties outside its existing District boundary but may receive water service under a Railroad Commission Order (RCO Lands) may benefit from the use of District services and facilities as an in-District customer. When a demonstrated need exists, and where annexation is determined to be feasible, legal, and consistent with the District's mission, the District may consider annexing such out-of-district lands into its jurisdiction. Any proposed annexation shall be evaluated based on service needs, operational and financial feasibility, applicable laws and regulations, terms and conditions as set forth in this policy, or as may be prescribed by the Board of Directors, and the required approval processes. Nothing in this policy is intended or shall be construed to create any legal rights, including to annex to the District, or to annex under certain terms of conditions. The District reserves the right to condition annexation under any terms it deems appropriate and to deny requests for annexation for any reason in its sole and absolute discretion.

3350.1.1 Informal Annexation Inquiries and Submittal of Request

Persons interested in potentially annexing into the District are encouraged to first schedule a discussion with the Assistant General Manager. Based on the discussion with the Assistant General Manager, the person interested in annexation will be provided with a package of materials and information to return to the District ("Request for Annexation"). Thereafter, a Request for Annexation and all information required in connection therewith shall be submitted to the Assistant General Manager.

3350.1.2 Property Owner Request for Annexation

A Request for Annexation of land(s) ("Annexation Land") shall be made by the fee owner(s) of the property ("Applicants") to the District and shall be in writing. The request shall include:

a) A map of the area proposed to be annexed specifically identifying the location of all parcels, roads, and a list of the assessed parcel number(s);

b) Identification of the current ownership of each parcel(s);
c) A statement of the present use of each parcel(s);
d) A statement of proposed land use and/or zoning changes for each parcel, plus a copy of all vesting tentative maps or tentative maps, as applicable, affecting the area proposed to be annexed.
e) Other information requested by the Assistant General Manager pursuant to the informal discussion on potential annexation.

3350.2 General Policies Related To Annexations

3350.2.1 Water Supply

a) **Water Demand.** The District will comply with applicable law to estimate water demand resulting from the Request for Annexation, including, as applicable, preparing a water supply assessment or preparing an environmental analysis under the California Environmental Quality Act (CEQA). At a minimum, the District will estimate the highest potential water use, in acre-feet per year (Water Demand), for the proposed Annexation Land. This estimate shall be on the basis of established infrastructure readily available to the proposed Annexation Land.
b) **Additional Water Supplies Determination.** The District shall evaluate and determine the source of water supply needed to serve the Annexation Land (Water Supplies), whether the Annexation Land is within the Water Supplies' existing place of use, and also the reliability of that source of supply (Reliability). The Water Supplies for the Annexation Land shall be equal to the amount of Water Demand, plus an upward adjustment for the source of supply's reliability so as to avoid any redirected impacts to existing District customers such as unreasonable diminution of the District's existing water supply and/or reduction in Reliability within the existing District service area.

3350.2.2 Revenue and Expense Plan

At or before the meeting at which District's Board of Directors considers a "Resolution for Making Application for Annexation of Land to Nevada Irrigation District" determination, District staff shall present to the Board a revenue and expense plan concerning the Annexation Lands (Revenue and Expense Plan). The Revenue and Expense Plan will include the following components:

a) **Property Taxes.** A sum of tax proceeds that would be allocated to the District as defined by the tax sharing agreement between the District and the County in which the annexation pertains. Annexations for property in counties without a tax sharing agreement will not be considered until the District enters into such an agreement.
b) **Water Sales Net Reduction**. For Lands receiving out-of-District service, the Revenue and Expense Plan will utilize existing out-of-district customer sales data to estimate post-annexation in-district customer sales by account and any resulting revenue changes.

c) **District Conveyance Systems.** Absent a determination by the Board, the District shall not extend District-owned water conveyance systems to newly annexed lands. Upon prior approval of the Board, the District may consider new or expanded infrastructure to serve annexed lands if fully funded by the party or parties requesting annexation and other contractual assurances are in place governing the construction, dedication and warranty of such infrastructure.

3350.2.3 Approvals

a) **Nevada Irrigation District –Applicant Initiated Island Parcels.** The District shall be the initial agency to consider proposed Island Parcel annexations. Once an Annexation Request is considered complete, including receipt of a property owner Annexation Request and an Executed Pre-Annexation Agreement of the Island Parcel, the District will conduct a supply and demand determination, a Revenue and Expense Plan, comply with other applicable legal requirements at the request of the General Manager, and the District Board may thereafter consider a "Resolution for Making Application for Annexation of Land to Nevada Irrigation District."

b) **Nevada Irrigation District –NID Initiated Island Parcels.** At its sole cost and discretion, NID may initiate an annexation for island parcels not included in the Applicant-Initiated Annexations as described above. The District shall be the initial agency to consider and process a "Resolution for Making Application for Annexation of Land to Nevada Irrigation District. After annexation, an Annexation Conversion Fee will be assessed for each parcel prior to establishing new service or connection.

c) **Nevada Irrigation District –RCO Lands.** The District shall be the initial agency to consider proposed RCO Lands annexations. Once an Annexation Request is considered complete, including receipt of a property owner Annexation Request and an Executed Pre-Annexation Agreement of the RCO Lands, the District will conduct a supply and demand determination, a Revenue and Expense Plan, comply with other applicable legal requirements and at the request of the General Manager, the District Board may thereafter consider a "Resolution for Making Application for Annexation of Land to Nevada Irrigation District."

d) **LAFCo.** If the District approves the Resolution for Making Application for Annexation of Land to Nevada Irrigation District, the Local Agency Formation Commission (LAFCo) is the ultimate approving and processing body of the District's Application for Annexation. The District cannot guarantee that the annexation will be successfully completed by LAFCo, and cannot guarantee that any terms or conditions imposed by LAFCo will be acceptable to District. District reserves the right to discontinue the annexation process if LAFCo imposes terms or conditions unacceptable to the District.

e) **State Board of Equalization.** To the extent required law, the State Board of Equalization ("BOE") of the State of California must approve the final LAFCo annexation authorization, including any and all changes in the District's service territory prior to completion of an annexation.

3350.2.4 Contiguous Territory

An area proposed for annexation shall be contiguous to the District and satisfy legal requirements for orderly extension of water service. No annexation shall leave an unannexed area as an island entirely or nearly surrounded by area annexed to the District, unless the Board specifically finds that legal requirements are satisfied and the District's interests will not be adversely affected by such a configuration of annexed territory.

3350.2.5 Minimum Acreage

The District, absent mitigating factors, will not process an annexation involving less than fifty (50) acres, unless authorized by the General Manager. This minimum acreage requirement may, however, be satisfied by simultaneous annexation of smaller parcels whose combined acreage exceeds fifty (50) acres.

3350.2.6 Annexation Terms and Conditions

All annexations shall be subject to terms and conditions as determined by the Board of Directors of the District. At a minimum, the following terms and conditions apply:

a) **Regulations.** 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 policies, rules and regulations promulgated from time to time by the District.

b) **No outside use.** 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 its use outside the District service area.

c) **No additional works.** The District shall not be obligated to provide additional District-owned conveyance systems or facilities necessitated by the annexing area.

d) **Common pool.** Water Supplies utilized to meet the Water Demand of Annexation Land is based on water rights owned and held by District for common use by all in-District landowners in its service area, including the Annexation Land if the annexation is completed. Annexed Lands do not have a priority to District water supplies.

e) **Lead Agency.** At its election, the District, in cooperation with the LAFCO, shall be the lead agency for purposes of compliance with the California Environmental Quality Act and, in any event, shall direct, conduct, and have final approval of the environmental analysis for the Water Supplies.

f) **Water Efficiency Guidelines.** To the extent practicable, the owner(s) of parcels, as appropriate, within an Annexation Land, shall comply with all District rules and regulations governing the efficient use of water and

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avoiding waste and unreasonable use.

g) **Conservation**. Agree to implement Best Management Practices (BMP) measures to conserve water resources.

3350.3 Financial Policies Related To Annexations.

3350.3.1 Pre-Annexation Agreement, Processing Costs, and Annexation Fee

a) **Pre-Annexation Agreement –.** The District will prepare a Pre-Annexation Agreement for each proposed annexation. An Applicant(s) for any annexation type shall enter into a Pre-Annexation Agreement with the District whereby the Applicant agrees to pay all District fees and costs as set forth herein or otherwise required by the District. A non-refundable $20,000 Annexation deposit must be paid as a condition precedent to District's processing and consideration of an executed Pre-Annexation Agreement. The non-refundable deposit shall provide the security for the processing costs associated with the District's annexation activities including but not limited to: District staff and consultant time; expenses of evaluating and processing the feasibility of the proposed annexation; complying with any applicable legal requirements, including environmental review; and other local & state processing fees as required to complete the annexation. If at any time the deposit is fully expended or forecasted to be exhausted, the Applicant shall provide an additional deposit, estimated by staff, to continue processing of the application. In addition to the non-refundable deposit, the Pre-Annexation Agreement will contain language regarding:

   a. **No Guarantee:** The District cannot guarantee a successful outcome or that the District will accept annexation conditions that may be imposed by LAFCo or BOE.
   b. **Assumption of Risk.** The Applicant assumes all financial risk related to ultimate District Board, LAFCo, or BOE decisions to approve or to deny annexations in whole, or in part.
   c. **Indenmify, Defend and Hold Harmless**. The Applicant to indemnify, defend, and hold harmless the District from and against all claims, suits, litigation, or challenges arising out of or related to the requested annexation.
   d. **Reimbursement.** Following completion of the annexation or termination of the annexation process, any unexpended funds collected by the District, apart from the non-refundable deposit, shall be returned to the Applicant.
   e. **Approval.** All Annexations shall be subject to Board, LAFCo and BOE approvals.
   f. **No Subsidy.** The Applicant and Annexed Land is responsible for fully funding the annexation process.
   g. Treated Water Capacity and Connection Fees. Then-existing capacity and connection fees will be imposed for annexations involving

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requests for treated water service. **Raw Water Connection Fees.** Then existing connection fees will be imposed for annexations involving requests for raw water service.

3350.3.2 Annexation Conversion Fee

It is recognized that since District formation in 1921 in-District landowners and customers have solely funded the acquisition, construction, repair and maintenance of District works, including real and personal property, water rights, water storage and distribution facilities, and qualified professionals working at the District to ensure reliable and affordable water service. Given the foregoing, the District's Board of Directors may establish an Annexation Conversion Fee in an amount subject to the discretion of the Board to recognize prior investment. For In-District Island annexed lands to contribute to the investment in District works at a rate of $100/acre, increased annually at 3% inflation. For other types of annexations, the Annexation Conversion Fee, if any, will be established by the Board of Directors.

Adopted: (Date) via Resolution No. 20__-__
Revised:

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