



Executive Officer's Report

To: Imperial LAFCo Commissioners

From: Tyler Salcido, Executive Officer

A handwritten signature in blue ink, appearing to read "TSC", is placed over the name Tyler Salcido.

Item #: 8a

Subject: IID 1-25 Municipal Service & Sphere of Influence Review of the Imperial Irrigation District's Service Area Plan – Commission Workshop

Date: October 16, 2025

Time: 04:30 p.m.

Location: El Centro City Council Chambers
1275 W. Main Street, El Centro, CA 92243

Review Data

Review #:	IID 1-25
Review Name:	Municipal Service & Sphere of Influence Review
District Boundary/SOI:	See attached Water Service Area Map (Exhibit A) See attached Energy Service Area Map (Exhibit B)
Approved & adopted SOI:	October 22, 2020
Current SAP:	2025 (Exhibit C)
Last adopted SAP:	2019, adopted by LAFCo on 10/22/2020
Most Recent Audit:	2023 and 2022 Audited Financial (Appendix A)
Current Budget:	2025-2026 Budget Plan (Appendix B)
Services Provided:	Delivery of Colorado River (raw) water and retail electric service
CEQA:	Exempt

Report

1. **Purpose of Review**

Conduct a municipal service & sphere of influence review of the Imperial Irrigation District's service area plan. No sphere of influence amendment has been requested; therefore, a sphere of influence update is not needed at this time.

This review occurs in the context of IID's unique role as both a water and energy utility serving urban, rural, and industrial customers across two counties. The District faces increasing demands from urban growth, industrial development, and evolving interagency relationships, making this SAP a critical planning document for the next review cycle.

Scope clarification: Under Gov. Code §56430, service review determinations inform, but do not by themselves mandate, operational changes. Recommendations may be implemented as terms and conditions when the Commission acts on related proposals—such as out-of-agency service (§56133) or boundary changes (§§56885.5–56886).

2. **Sphere of Influence**

A sphere of influence is a defined boundary line set by LAFCo to outline the future boundary and service area for a city or a special district. It typically represents an area for future growth over a 20 to 25-year period.

A. State Law

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000:

- i. **G.C. § 56425 (g)** On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and/or update each sphere of influence.

The sphere of influence currently adopted for the Imperial Irrigation District remains adequate for any projected growth of the district and remains the same.

3. **Municipal Service Review**

A municipal service review is a thorough study meant to provide LAFCo, local agencies, and the community with better insights into the provision of municipal services.

A. State Law

Cortese-Knox-Hertzberg Reorganization Act of 2000:

- i. **G.C. § 56430 (a)** In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed,

and shall prepare a written statement of its determinations with respect to each of the following:

a. Growth and population projections for the affected area.

Comment: Imperial Irrigation District's (IID) 2025 Administrative Service Area Plan (SAP) incorporates updated population projections using the most recent California Department of Finance (DOF) and U.S. Census estimates. Revised Tables G-2 and G-3 reflect population trends for incorporated and unincorporated communities within IID's service area, aligning more closely with LAFCo's expectations for realistic, locally grounded growth assumptions.

The SAP anticipates moderate population growth across the region, with continued urbanization concentrated in cities such as El Centro, Brawley, and Calexico. While earlier drafts of the SAP relied on higher growth assumptions, the final version has been corrected to reduce potential overestimation of municipal and industrial demand.

IID acknowledges that water demand projections — including for lithium and geothermal-related industries — are tied to these population forecasts. While exact demand figures for future industrial activity remain generalized, the SAP appropriately classifies these uses under the industrial demand category and acknowledges their growth trajectory.

The SAP's revised population projections are reasonable and generally consistent with available demographic data. Continued coordination between IID, local land use authorities, and regional economic development stakeholders will be important to ensure that future infrastructure planning remains responsive to actual growth trends.

b. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Comment: The IID 2025 SAP identifies several areas within or adjacent to IID's sphere that meet the definition of Disadvantaged Unincorporated Communities (DUCs) under Gov. Code §56033.5, including Seeley, Heber, Niland, and Salton City. These communities often face socioeconomic and infrastructure constraints, particularly related to water, wastewater, and stormwater services.

While IID does not exercise land-use authority, it does provide Colorado River water delivery, agricultural drainage conveyance, and retail electric service in and around these areas. In rural and urbanizing transition zones, IID facilities can

intersect with city or County systems, which makes interagency coordination important when addressing DUC needs.

IID has indicated it may transition out of certain drainage functions in urbanizing areas where facilities no longer serve agricultural runoff. Because some drains have been used de-facto for stormwater conveyance, such changes could affect nearby DUCs if not planned for in advance. LAFCo encourages early notification and engagement with the County and affected cities whenever facility changes or retirements could impact DUCs, in coordination with the responsible stormwater/flood control authorities to ensure alternative capacity and service continuity are in place.

Imperial LAFCo will continue to monitor service availability and interagency coordination in DUC-adjacent areas as part of its municipal service review responsibilities, and—where appropriate—recommend strategies to enhance planning or facilitate service extensions consistent with law.

- c. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**

Comment: *IID's 2025 Administrative Service Area Plan outlines the District's existing infrastructure and available supply capacity for both agricultural and non-agricultural water users. The Plan affirms that current and projected municipal and industrial demands can be met under IID's existing Colorado River entitlement and through conservation mechanisms such as the Interim Water Supply Policy (IWSP).*

Water Supply and Delivery

The SAP reflects sufficient water availability to support continued growth and industrial development within IID's authorized service area. While detailed infrastructure-level capacity analyses are not included, the Plan appropriately identifies the policy tools and delivery systems in place. LAFCo supports continued coordination with cities and local water providers to ensure that IID's delivery infrastructure remains responsive to urban growth and land use transitions, including within or adjacent to disadvantaged communities.

Drainage and Stormwater Interface

IID's drains were designed for agricultural runoff, not municipal stormwater. In urbanizing areas, some drains have

functioned as interim stormwater channels. As IID transitions these facilities out of service, coordination with local jurisdictions will be key to ensuring alternative stormwater capacity is in place.

Sewer and Fire Protection Services

As IID does not provide sewer or structural fire protection services, these functions fall outside the scope of the SAP. However, the regional growth and industrial activity referenced in the Plan—especially in unincorporated areas—will require continued planning alignment with service providers responsible for wastewater and emergency services. IID’s infrastructure policies and growth assumptions should be viewed in parallel with local capital planning efforts to ensure regional service adequacy.

Conclusion

LAFCo finds that IID has demonstrated sufficient supply and general infrastructure capacity to meet foreseeable demands. At the same time, the ongoing shift from agricultural to urban and industrial land uses—particularly in proximity to disadvantaged communities—reinforces the importance of interagency coordination. Continued engagement between IID, the County, and affected cities will be essential to maintaining service continuity and addressing long-term infrastructure needs in a proactive and equitable manner.

d. Financial ability of agencies to provide services.

Comment: *IID’s audited financial statements and adopted FY 2025–2026 Budget Plan reflect a financially stable organization with adequate reserves, balanced operations, and sound fiscal oversight practices. The District continues to operate two major enterprise functions — Water and Energy — each supported by independent revenue streams and long-term capital planning frameworks.*

Water Department

The Water Department’s financial structure is primarily supported through water availability charges, delivery fees, and agricultural water service rates. As noted in IID’s 2023 audited financials, the department maintains strong liquidity and has no significant outstanding debt tied to its core water delivery operations. The 2025–2026 Budget anticipates continued investment in infrastructure, with significant multi-year investments in water capital projects across the two-year period, including system rehabilitation and regulatory compliance, and special projects (see Budget Appendix B, Water Capital Projects, page D-5).

The SAP's implementation of the Interim Water Supply Policy (IWSP) and ongoing cost recovery for municipal and industrial deliveries support IID's ability to manage growth-related impacts without compromising agricultural operations. While the District acknowledges ongoing rate cross-subsidization between user classes, it appears to be managed within financially sustainable thresholds.

Energy Department

The Energy Department is a major revenue source for IID, with retail electric sales providing the largest share of operating income. The Energy Cost Adjustment (ECA) is set to zero for 2025 but remains available as a rate-stabilization tool if fuel or purchased power costs spike. IID also maintains a Rate Stabilization Fund and employs hedging strategies under its Power Risk Management Policy to reduce exposure to market volatility.

According to IID's 2023 audited financial statements, the independent auditors issued an unmodified (clean) opinion on the financial statements (Appendix A – Imperial Irrigation District 2023 Audited Financial Statements, p. 2). The audit indicates IID maintained a solid operating margin and cash position and met its bond and pension obligations.

Overall Assessment

Imperial LAFCo finds that IID has the demonstrated financial capacity to continue delivering water and energy services at current and projected levels. The 2023 audited statements (unmodified opinion; bond covenant compliance) and the adopted biennial budget (multi-year capital planning, reserve policies) reflect sound fiscal stewardship. On the energy side, IID maintains a Rate Stabilization Fund and hedging practices; the Energy Cost Adjustment (ECA) is set to zero for 2025 but remains available as a rate-stabilization tool if market conditions warrant.

As service demands evolve—particularly with industrial growth and urbanization—LAFCo encourages IID to continue aligning long-range financial planning with targeted capacity investments in growth corridors, and to share early, clear information with cities and the County on timing and funding responsibilities. These practices will help manage volatility, support predictable service delivery, and promote coordinated infrastructure planning.

e. Status of, and opportunities for, shared facilities.

Comment: *IID operates largely independent utility systems, but there are points where its infrastructure intersects with city and County responsibilities—most notably in drainage and*

stormwater management. In several communities, IID drains have served de facto stormwater functions. As IID has indicated it may transition out of certain drainage functions in urbanizing areas, LAFCo encourages early coordination with affected cities and the County to ensure smooth transitions and avoid service gaps.

Opportunities for shared planning also exist around energy resilience, infrastructure siting, and growth forecasting, particularly as the region experiences new industrial activity. Regular joint planning sessions could better align IID's capital improvement planning with local growth forecasts and infrastructure priorities. Potential focus areas include coordinated siting of substations, shared use of rights-of-way for utility corridors, integration of stormwater and drainage planning in transitioning areas, and advance discussion of infrastructure needs tied to large development projects. Early alignment on timelines, funding approaches, and regulatory requirements can reduce duplication, minimize service delays, and improve cost-effectiveness for all parties.

Scope note: While LAFCo can encourage earlier coordination and shared-use opportunities, it cannot require an agency to co-fund facilities outside its service mandate.

f. Accountability for community service needs, including governmental structure and operational efficiencies.

Comment: IID is governed by an elected Board and maintains transparency through publicly noticed meetings, adopted budgets, and audited financial statements. Operationally, the District has established internal controls and multi-year planning practices, including this SAP.

There remain opportunities to strengthen coordination with cities and the County where infrastructure transitions or overlapping responsibilities occur. LAFCo encourages earlier information-sharing on planned facility changes, periodic technical check-ins on growth-related capacity needs, and plain-language updates on major capital timelines. These steps would support shared accountability, align regional priorities, and help reduce avoidable delays. LAFCo will revisit progress on transparency and interagency coordination at the next MSR/SOI cycle.

g. Any other matter related to effective or efficient service delivery, as required by commission policy.

Comment: The IID plays a unique dual role as both a water and energy utility, with a service territory that spans two counties and intersects with a diverse mix of urban, agricultural, and unincorporated communities. The District's continued

management of Colorado River water rights and infrastructure—through facilities such as the All-American Canal, Coachella Canal, and extensive lateral and drainage networks—remains central to regional agricultural and municipal viability. IID also delivers retail electric service to customers in Imperial County and portions of eastern Riverside County.

The SAP outlines continued efforts to modernize and expand energy infrastructure, including substation upgrades and transmission system reinforcement. As the region prepares for new industrial uses—including lithium recovery, geothermal development, and large-scale solar generation—IID’s infrastructure planning and energy delivery capacity will be critical to supporting growth in an efficient and coordinated manner.

Additionally, the SAP addresses an important governance development: the 2025 formation of the Coachella Valley Power Authority (CVPA), a Joint Powers Authority created by the cities of Indio, La Quinta, and the County of Riverside. While IID retains electric service responsibility in parts of the Coachella Valley under the 1934 Agreement of Compromise with the Coachella Valley Water District, certain provisions of that agreement—specifically a 99-year lease related to hydroelectric development on the All-American Canal—are scheduled to sunset in 2033. While the CVPA’s formation does not alter IID’s current service boundaries, it may influence future governance arrangements, power procurement strategies, and customer service expectations in the Coachella Valley portion of IID’s territory. The SAP indicates that an IID–CVPA Cooperation Agreement is anticipated to guide future coordination. LAFCo will continue to monitor this evolving relationship to assess potential impacts on service delivery, governance boundaries, and interagency collaboration within Riverside County.

Overall, IID’s structure as an independent special district, combined with its extensive infrastructure and cross-county responsibilities, places it in a unique position within California’s local service landscape. Continued interagency coordination, transparency in planning, and engagement with affected jurisdictions will be key to ensuring effective and efficient service delivery over the next planning period.

4. District Approval

The Imperial Irrigation District will approve and adopt their 2025 Service Area Plan after the approval and adoption by the Imperial LAFCo, in which they will issue a Resolution of such to the Imperial LAFCo.

5. CEQA

The municipal service and sphere of influence review qualifies for exemption under the CEQA Guidelines Sections 15306 (data collection and resource evaluation),

15262 (feasibility and planning studies), and 15061(b)(3) (common sense exemption), as this action involves no physical changes to the environment and does not commit the agency to any specific project.

Options

- OPTION #1:** Accept the municipal service & sphere of influence review presented by the Executive Officer, approve and adopt the Imperial Irrigation District's service area plan, and concur that the currently adopted sphere of influence remains adequate and the same.
- OPTION #2:** Deny approval of the service area plan and provide directions to the Imperial Irrigation District for corrections.

Recommendation by the Executive Officer

The Executive Officer recommends that LAFCo consider all information presented in both written and oral form. The Executive Officer then recommends, assuming no significant public input warrants to the contrary, that LAFCo take the following action:

OPTION #1: Accept the municipal service & sphere of influence review presented by the Executive Officer, approve and adopt the Imperial Irrigation District's service area plan, and concur that the currently adopted sphere of influence remains adequate and the same.

1. Certify that the municipal service & sphere of influence review of the Imperial Irrigation District's service area plan is exempt from CEQA.
2. Make the finding that the municipal service & sphere of influence review of the Imperial Irrigation District's service area plan complies with the provisions of the Cortese-Knox-Hertzberg Reorganization Act of 2000 and the Imperial LAFCo policy and procedures.
3. Make the findings according to Government Code Section 56430 that:
 - a. The Executive Officer and the Commission have reviewed the service area plan, and the Imperial Irrigation District has the capacity and ability to provide services within the area.
 - b. The service area plan provides for the logical and orderly development of the Imperial Irrigation District.
 - c. The service area plan for the Imperial Irrigation District shows it to be operating its service in a financially sound manner.
4. Make the findings according to Government Code Section 56425 that:
 - a. The sphere of influence currently adopted for the Imperial Irrigation District remains adequate for any projected growth of the district and remains the same.

5. The Commission finds that the present services available to the areas within the boundaries are limited to those identified in the plan. New or extended services outside IID's boundaries require LAFCo approval under Government Code § 56133.
6. The Commission finds that the service area plan provided by the Imperial Irrigation District has the ability to provide services within its current district boundary and sphere of influence, and the document provided indicates that the district has a plan whereby it can provide these services.
7. The Commission finds that future annexation proposals will be evaluated for consistency with this Service Area Plan and may be conditioned on demonstration of service capacity, fiscal sustainability, and compliance with Government Code Section 56375 regarding disadvantaged unincorporated communities.
8. The Commission hereby approves and adopts the Imperial Irrigation District's 2025 Service Area Plan, attached as Exhibit D, as the foundational planning document for evaluating future boundary changes and service delivery considerations.

LAFCo Policy

The municipal service & sphere of influence review of the Imperial Irrigation District's service area plan appears to be consistent with the Cortese-Knox-Hertzberg Reorganization Act of 2000, the Imperial LAFCo policies and procedures, and the Imperial County general plan. Furthermore, the Imperial Irrigation District has, according to its service area plan, the ability to supply the necessary public services and has assured LAFCo that it has the capacity to service the areas.

Future annexation proposals will be evaluated for consistency with this Service Area Plan and may be conditioned on demonstration of service capacity, fiscal sustainability, and compliance with Government Code Section 56375 regarding disadvantaged unincorporated communities.

EXHIBIT A:	Water Service Area Map
EXHIBIT B:	Energy Service Area Map
EXHIBIT C:	Draft LAFCo Resolution #2025-XX
EXHIBIT D:	2025 Service Area Plan
APPENDIX A:	Report of Independent Auditors and Financial Statements for December 31, 2023 and 2022
APPENDIX B:	2025-2026 Budget Plan