

JAN 10 1995



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

December 27, 1994

To: Board of Directors (Legal & Claims Committee--Action)
(Finance & Insurance Committee--Action)
(Water Problems Committee--Action)

From: General Manager

Subject: 1995 Per-Acre Annexation Charge

Report

In accordance with Administrative Code Section 3300(b), the Per-Acre Annexation Charge for the 1995 calendar year has been calculated to be \$2,349 per acre.

This charge is calculated by dividing the sum of the estimated replacement costs of Metropolitan's facilities and the unamortized participation rights in facilities of the State Water Project and other non-District owned projects in which Metropolitan participates, less outstanding bonded indebtedness of Metropolitan and the accumulated depreciation of facilities on the replacement cost basis by the total acreage within the service area of Metropolitan, all as of the end of the recently completed fiscal year. The calculation detail is as follows:

Replacement Value of Facilities	\$10.229 Billion
Less Outstanding Bonded Debt	-2.038 Billion
Plus Participation Rights - Net	+1.323 Billion
Less Accumulated Depreciation	-1.767 Billion
Net Replacement Value	<u>\$ 7.747 Billion</u>
Total Acreage	3,298,278
Per-Acre Charge	\$2,349

The per-acre charge for 1994 was \$2,132 per acre. The increase of \$217 per acre was the result of the increase in plant and equipment and General Obligation and Revenue Bond refundings that occurred during the fiscal year resulting in lower outstanding long-term debt. In calculating the annexation charge, outstanding long-term debt is deducted from replacement value because it is assumed that annexing areas will share in the future repayment of such debt. Therefore, a decrease in

outstanding long-term debt tends to cause an increase in the annexation charge.

The per-acre annexation charge calculation in Administrative Code Section 3300 (b) includes participation rights in facilities of the State Water Project. Since 1994, participation rights in facilities owned by Imperial Irrigation District have also been included in the calculation and the Administrative Code should be revised to reflect ownership in other non-District owned facilities. Attachment 1 shows the proposed revision underlined, and Attachment 2 shows the new language unmarked.

The revision to the Administrative Code is exempt from the provisions of the California Environmental Quality Act because it constitutes government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Recommendation

It is recommended that the Board amend the Administrative Code to read as shown in Attachment 2.

John R. Wodraska
General Manager

Submitted by:


Lambertus H. Becker
Acting Chief Financial Officer

Concur:


John R. Wodraska
General Manager

Attachments

WEH:jg
annex95.doc

ATTACHMENT #1**§ 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 unamortized participation rights in facilities of the State Water Project and other non-District owned projects in which Metropolitan participates, less outstanding bonded indebtedness of the District's and the accumulated depreciation of facilities on the replacement cost basis by the total acreage within the service area of the District, all as of the end of the recently completed fiscal year.

ATTACHMENT #2**§ 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 unamortized participation rights in facilities of the State Water Project and other non-District owned projects in which Metropolitan participates, less outstanding bonded indebtedness of the District's and the accumulated depreciation of facilities on the replacement cost basis by the total acreage within the service area of the District, all as of the end of the recently completed fiscal year.