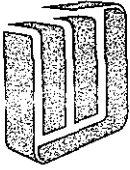


APPROVED
by the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held

JUL 14 1992

8-17

Karen E. Doff
EXECUTIVE SECRETARY

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

June 29, 1992

To: Board of Directors (Water Problems Committee--Action)
(Finance and Insurance Committee--Action)

From: General Manager

Subject: Recommended Change in the Per-Acre Annexation Charge

Report

At its June 23, 1992 meeting, the Subcommittee to Review Annexations (Subcommittee), reviewed and considered the Annexation Charge Study which was prepared by the staff. The Subcommittee voted to recommend that the Net Replacement Cost method be utilized for calculation of the per-acre annexation charge.

The report indicated that this method most nearly represents the current value of existing Metropolitan and State Water Project facilities to an annexing area. Under this method all costs would be adjusted to present value as if the incoming area were required to pay for its share of similar facilities, just as the original member agencies paid for facilities at the then current cost. Under the existing method, the annexation charge for calendar year 1992 is \$832 per acre. Under the proposed method, the annexation charge would be \$2116 per acre, based on financial data from June 30, 1991.

The revised annexation charge would apply to new informal annexation requests, and to annexation requests which have previously received informal or formal approval but which will not be completed by June 30, 1993. However, it was the feeling of the Subcommittee that the current annexation charge would apply to annexation requests which had been withheld from submittal for informal approval because of the Board's deferral of consideration of said annexations. For the current charge to be applicable, these potential annexations would also have to be completed by June 30, 1993. The Subcommittee has not lifted the deferral of consideration for informal annexation requests but will discuss doing so at its July meeting.

Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action because of its authority to review and consider requests for annexation, pursuant to Administrative Code Sections 2481 (g) and 3102; and,

The Finance and Insurance Committee for action because of its authority to study, advise and make recommendations with regard to the financial impact and requirements of policies concerning annexations pursuant to Administrative Code Sections 2441 (f) and 3300.

Recommendation

WATER PROBLEMS COMMITTEE FOR ACTION.

FINANCE AND INSURANCE COMMITTEE FOR ACTION.

That your Board and any advisory committees acting upon this request adopt the per acre annexation charge by amending Section 3300 (b) of the Metropolitan Water District Administrative Code to read as shown in Attachment A hereto.


Carl Boronkay

Revised Attachments for Board Letter 8-17

ATTACHMENT A

§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 of completion of the annexation, 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 as follows:

i. The annexation charge per acre shall be an amount equal to the District's equity per acre, but not less than \$832 per acre for the following:

(a) Annexations which have received informal or formal approval prior to July 14, 1992 and which are completed as of June 30, 1993.

(b) Those annexations as to which a member public agency demonstrates to the satisfaction of the Board that it withheld submittal of a request for annexation because of the drought prior to the Board's action to defer consideration of new annexations on February 11, 1992, and which will be completed as of June 30, 1993.

For purposes of this subsection i. the equity per acre shall be determined by dividing the excess of the District's assets over liabilities, as shown on the balance sheet as of the end of the fiscal year preceding January 1 of the year of completion of the annexation, by the total acreage within the District's service area as of the end of such fiscal year, as determined by the General Manager.

ii. For Annexations which have not received informal approval prior to July 14, 1992 or annexations which have received informal or formal approval prior to July 14, 1992 but will not be completed by June 30, 1993, the annexation charge per acre 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, less outstanding bonded indebtedness of Metropolitan and the accumulated depreciation of facilities determined on the replacement cost basis, by the total acreage within the service area of the District, all as of the end of the fiscal year preceding January 1 of the year of completion of the annexation. All data required to make the foregoing calculation shall be determined by the General Manager.

AMA\saub4

ATTACHMENT B

Amendments to Code Section §3300

§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 of completion of the annexation 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 as follows:

~~For calendar year 1989..... 785~~
~~For calendar year 1990..... 832~~

~~Commencing January 1, 1991 and for each year thereafter, an amount equal to the District's equity per acre, which for purposes of this section shall be determined by dividing the number representing the excess of the District's assets over liabilities as shown on the balance sheet at the end of the preceding fiscal year by the total acreage within the District's service area as determined by the General Manager as of the end of the preceding fiscal year, but not less than \$832 per acre.~~

i. The annexation charge per acre shall be an amount equal to the District's equity per acre, but not less than \$832 per acre for the following:

(a) Annexations which have received informal or formal approval prior to July 14, 1992 and which are completed as of June 30, 1993.

(b) Those annexations as to which a member public agency demonstrates to the satisfaction of the Board that it withheld submittal of a request for annexation because of the drought prior to the Board's action to defer consideration of new annexations on February 11, 1992, and which will be completed as of June 30, 1993.

For purposes of this subsection i. the equity per acre shall be determined by dividing the excess of the District's assets over liabilities, as shown on the balance sheet as of the end of the fiscal year preceding January 1 of the year of completion of the annexation, by the total acreage within the District's service area as of the end of such fiscal year, as determined by the General Manager.

ii. For Annexations which have not received informal approval prior to July 14, 1992 or annexations which have received informal or formal approval prior to July 14, 1992 but will not be completed by June 30, 1993, the annexation charge per acre 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, less outstanding bonded indebtedness of Metropolitan and the accumulated depreciation of facilities determined on the replacement cost basis, by the total acreage within the service area of the District, all as of the end of the fiscal year preceding January 1 of the year of completion of the annexation. All data required to make the foregoing calculation shall be determined by the General Manager.

ATTACHMENT C

Existing Code Section §3300

§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:

For calendar year 1989.....	785
For calendar year 1990.....	832

Commencing January 1, 1991 and for each year thereafter, an amount equal to the District's equity per acre, which for purposes of this section shall be determined by dividing the number representing the excess of the District's assets over liabilities as shown on the balance sheet at the end of the preceding fiscal year by the total acreage within the District's service area as determined by the General Manager as of the end of the preceding fiscal year, but not less than \$832 per acre.

ATTACHMENT A

§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 as follows:

i. For Annexations which have received informal or formal approval prior to July 14, 1992 including those annexations which have been exempted from this provision by the Board and shall be completed prior to June 30, 1993, the annexation charge per acre shall be an amount equal to the District's equity per acre, which for purposes of this section shall be determined by dividing the number representing the excess of the District's assets over liabilities as shown on the balance sheet at the end of the preceding fiscal year by the total acreage within the District's service area as determined by the General Manager as of the end of the preceding fiscal year, but not less than \$832 per acre.

ii. For Annexations which have not received informal approval prior to July 14, 1992 or annexations which have received informal or formal approval prior to July 14, 1992 but will not be completed by June 30, 1993, the annexation charge per acre 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, 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 the District, all as of the end of the recently completed fiscal year.