

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

PRELIMINARY

July 27, 1993

To: Board of Directors (Finance and Insurance Committee--Action)
From: General Manager
Subject: Tax Levy for Fiscal Year 1993-94

Report

This letter is a preliminary estimate of the tax levy for fiscal year 1993-94 and is provided to the Board for information. Upon receipt of the certified assessed valuations from the County Auditors after August 15, 1993 staff will prepare the final tax levy letter for 1993-94.

The assumption used during the water rate setting process for 1993-94 was that the District would levy taxes for 1993-94 using the same tax rate of .0089 percent that was used for the 1992-93 tax levy. The assumption was that the same rate would produce \$90 million in revenues. Based on more current assessed valuation information, the same tax rate would produce \$3.6 million less than estimated in the 1993-94 Budget.

If the tax were to be levied to the maximum allowed under Section 124.5 of the MWD Act, the projected tax rate would be .0115 percent, a 29.2 percent increase. The net tax collections would increase from \$86.4 million to \$104.9 million. The additional \$18.5 million in tax revenues is equivalent to approximately \$10 on the water rate, if funds are carried over to 1994-95.

Because of the ongoing recession in Southern California and the assumption that the tax levy would not be changed in considering the water rate adjustment for 1993-94, the recommended tax rate is .0089 percent. The revenue derived will be sufficient to pay projected capital costs not paid from water revenues or other sources of income in 1993-94.

The resolution transmitted herewith provides for:

- ° a secured property tax rate of .0089 percent of assessed valuations, comprised of .0060 percent for general obligation bond debt service and .0029 percent for State Contract obligations
- ° a .0089 percent tax rate for unsecured property and
- ° various tax rates for annexation charges due the District.

The tax rate computation is based upon assessed valuations of property taxable for District purposes as certified by the auditors of the six counties in the District's service area. The increase in assessed valuations over 1992-93 is currently estimated at \$21.8 billion or 2.5 percent, which is the lowest increase since passage of Proposition 13 in 1978. Since 1978, the growth in assessed values for taxing purposes is limited to changes in ownership, improvements and adjustments for inflation.

The gross tax levy of \$91.9 million takes into account an additional \$2 million for supplemental tax collections associated with properties reassessed during the year; \$5 million for prior years tax collections; a reduction of \$4.9 million as an allowance for delinquencies; and a \$7.6 million allowance for redevelopment agencies, resulting in an estimated net tax levy of \$86.4 million.

The fiscal year 1993-94 tax levy of \$91,872,095 is sufficient to:

- ° pay annual installments due the District for annexations of areas to the District completed prior to June 6, 1978
- ° produce funds required to pay debt service on the District's general obligation bonds, and
- ° pay a portion of the District's obligations under the existing contract with the State of California for water.

Provision is made for the resolution to take effect immediately upon adoption. A certified copy of the resolution will be transmitted to the presiding officer of the governing body of each member public agency.

July 27, 1993

Also attached hereto and included as Section 9 of the resolution are two schedules: (1) Schedule A "Estimated Funds to be Produced by Tax Levy, Fiscal Year 1993-94" and (2) Schedule B "Tax Rates and Amount to be Derived from Respective Areas". (attachments not available for this preliminary letter).

Board Committee Assignment

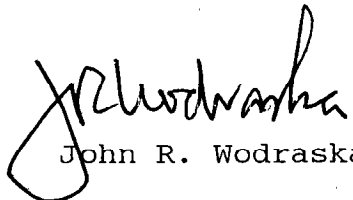
This letter was referred for action to:

The Finance and Insurance Committee because of its authority to determine the revenues to be obtained through the levying of taxes pursuant to Administrative Code Section 2441 (e).

Recommendation

FINANCE AND INSURANCE COMMITTEE FOR ACTION

It is recommended that the Board adopt the proposed resolution which fixes the District's secured property tax rate for District purposes, for fiscal year 1993-94 at .0089 percent of assessed valuations and an unsecured property tax rate of .0089 percent, together with various tax rates for annexation charges due the District, thereby producing a total levy of \$91,872,095 after including an allocation estimated at \$5,281,000 from countywide taxes on utilities. This results in projected net tax revenues of \$86,376,064, after allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years tax collections.


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DIF/AMY

Attachments