

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

PRELIMINARY

July 29, 1994

To: Board of Directors (Finance and Insurance Committee--Action)
From: General Manager
Subject: Tax Levy for Fiscal Year 1994-95

Report

This letter is a preliminary estimate of the tax levy for fiscal year 1994-95 and is provided to the Board for information. Upon receipt of the certified assessed valuations from the County Auditors which are due no later than August 15, 1994, staff will prepare the final tax levy letter for 1994-95.

The assumption used during the water rate setting process for 1994-95 was that the District would levy taxes for 1994-95 using the same tax rate of .0089 percent that was used for the 1993-94 tax levy. The assumption was that the same rate would produce \$87.7 million in revenues. However, based on more current assessed valuation information, the same tax rate would produce \$7.8 million less than estimated in the 1994-95 rate setting process. To produce \$87.7 million in tax revenues, the tax rate will have to be raised to .0101 percent, a 13 percent increase.

If the tax were to be levied at the maximum allowed under Section 124.5 of the MWD Act, the tax rate would be .0122 percent, a 37 percent increase. The net tax collections would increase from \$79.9 million to \$102.8 million. The additional \$22.9 million in tax revenues is equivalent to approximately \$13 on the water rate, if funds are carried over to 1995-96.

Notwithstanding the foregoing, receipt of State Water Contract credits can be used to cover the short fall in expected revenue. Therefore, it is recommended that the tax rate remain at .0089 percent.

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. No increase in assessed valuations over 1993-94 is anticipated because of the recession and property tax appeals.

The gross tax levy of \$90.1 million takes into account an additional \$1 million for supplemental tax collections associated with properties reassessed during the year; \$3 million for prior years' tax collections; a reduction of \$6.8 million as an allowance for delinquencies; and a \$7.4 million allowance for redevelopment agencies, resulting in an estimated net tax levy of \$79.9 million. The levy is sufficient to pay annual installments due the District for annexations of areas to the District completed prior to June 6, 1978, debt service on the District's general obligation bonds and a portion of the District's obligation under its contract with the State of California for water.

The resolution transmitted herewith provides for:

- a secured property tax rate of .0089 percent of assessed valuations, comprised of .0072 percent for Metropolitan's general obligation bond debt service and .0017 percent for State Contract obligations.
- a .0089 percent tax rate for unsecured property, and
- various tax rates for annexation charges due the District.

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.

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 1994-95" 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 1994-95 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 \$90,100,000, including an allocation estimated at \$6,000,000 for countywide taxes on utilities. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$79,900,000.

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General Manager

By 
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Director of Finance

Concur:


John R. Wodraska
General Manager

DIF/AMY