

October 20, 1998

**To:** Board of Directors (Budget and Finance Committee--Action)  
(Water Planning and Resources Committee—Action)

**From:** General Counsel \_\_\_\_\_

**Subject:** Cash Payment of Portion of Outstanding Annexation Fees for Fourteenth Fringe Area Annexation to Eastern Municipal Water District

## RECOMMENDATION

It is recommended that the Board adopt a resolution in the form of Exhibit A, revising the terms for payment of annexation charges established under Resolution 7013 to permit a single payment, in cash, of the outstanding annexation charges for the Fourteenth Fringe Area Annexation to Eastern Municipal Water District allocable to the 128.4-acre property described on Schedule 1 to Exhibit A, and requesting a statement of boundary change to permit creation of a separate tax rate area.

## EXECUTIVE SUMMARY

Resolution 7013, consenting to annexation of the Fourteenth Fringe Area upon concurrent annexation of such area to Eastern and fixing the terms and conditions of annexation, was adopted by the Board on September 12, 1967. Resolution 7013 provides that the annexation charge shall be raised through the levy by Metropolitan of special taxes. To date, special taxes levied in the Fourteenth Fringe Area have provided \$11.8 million toward the payment of annexation fees, plus interest, and approximately \$2.2 million remains to be collected.

Metropolitan has received a request from Development Planning & Financing Group, on behalf of a developer, to pay in cash the outstanding annexation fees on 128.4 acres within the Fourteenth Fringe Area, identified on Schedule 1 to Exhibit A.

Staff recommends that the Board agree to accept \$8,786.10 as payment in full of outstanding annexation fees on the 128.4 acres identified in Schedule 1. This requires approval of the resolution attached as Exhibit A to (i) revise the payment provisions of Resolution 7013 to permit a one-time cash payment of the outstanding balance of annexation charges allocable to the 128.4 acres, and (ii) authorize the filing of a statement of change of boundary to permit the creation of a separate tax rate area for such property.

## DETAILED REPORT

Resolution 7013, consenting to annexation of the Fourteenth Fringe Area upon concurrent annexation of such area to Eastern Municipal Water District and fixing the terms and conditions

of annexation, was adopted by the Board on September 12, 1967. The Fourteenth Fringe Area, consisting of a net area of 26,540 acres charged the then current annexation rate with 6049.77 acres for Metropolitan's Lake Skinner reservoir site totaling a gross area of 32,589.77 acres, was concurrently annexed to Metropolitan and to Eastern on October 23, 1967. Resolution 7013 fixes the annexation charge at \$5,310,000 (with interest on the unpaid balance at 4% per annum) and provides that this charge shall be raised through the levy of special taxes.

Metropolitan's annexation fees for the Fourteenth Fringe Area have been collected through the levy of special taxes annually since fiscal year 1968-69. The tax rate approved by the Board to be levied in this tax rate area for fiscal year 1998-99 is the maximum tax rate of .1964%, consisting of the basic tax levy of .0089% plus .1875% to provide for the payment of annexation fees. To date, special taxes levied in the Fourteenth Fringe Area have provided \$11.8 million toward the payment of annexation fees and interest thereon, and approximately \$2.2 million remains to be collected. At current assessed valuation, Metropolitan expects to collect approximately \$1,015,600 in annexation levies in 1998-99; staff calculates that, assuming no changes in assessed valuation or tax rate, the annexation fees should be paid in full in about 3 years.

Metropolitan has received a request from Development Planning & Financing Group, on behalf of a developer, to pay in cash the outstanding annexation fees on 128.4 acres within the Fourteenth Fringe Area. These 128.4 acres are identified on Schedule 1 to the attached resolution. This payment by the developer would remove Metropolitan's special taxes for annexation fees from the tax rolls after this fiscal year, reducing the future tax burden on this property. Prorating the outstanding annexation fees according to the assessed valuation, the amount attributable to the 128.4 acres is \$8,786.10 prior to June 30, 1999.

Staff recommends that the Board agree to accept \$8,786.10 prior to June 30, 1999, as payment in full of outstanding annexation fees on the 128.4 acres identified in Schedule 1. This requires approval of the resolution attached as Exhibit A to (i) revise the payment provisions established under Resolution 7013, which states that annexation fees will be raised through the levy of special taxes, to permit a one-time cash payment of the outstanding balance of annexation charges allocable to the 128.4 acres, and (ii) authorize the creation of a separate tax rate area for this property, so that Metropolitan may levy property taxes at a rate different from the property tax rate for the remainder of the Fourteenth Fringe Area (which will still be responsible for amortization of annexation fees).

SBB:mg

**Attachment 7-2A**

**Attachment A**

**EXHIBIT A**

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
AMENDING RESOLUTION 7013 AND  
AUTHORIZING THE CREATION OF SEPARATE  
TAX RATE AREAS**

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WHEREAS, by Resolution 7013, adopted at its meeting held September 12, 1967, the Board of Directors (Board) of The Metropolitan Water District of Southern California (Metropolitan) consented to the annexation to Metropolitan of the Fourteenth Fringe Area, upon the concurrent annexation of such area to Eastern Municipal Water District, and fixed the terms and conditions of such annexation to Metropolitan;

WHEREAS, annexation of the Fourteenth Fringe Area to Metropolitan was completed effective October 23, 1967;

WHEREAS, Resolution 7013 establishes the charge for annexation of the Fourteenth Fringe Area into Metropolitan at \$5,310,000, and provides that such charge (together with interest on the unpaid balance thereof) shall be raised by special taxes levied by Metropolitan, commencing with fiscal year 1968-69;

WHEREAS, Metropolitan has levied special taxes for the payment of annexation charges (and interest thereon) annually since fiscal year 1968-69, and a portion of such charges in the amount of \$2.2 million is still outstanding;

WHEREAS, the owners of the properties within the Fourteenth Fringe Area identified in Schedule 1, consisting of 128.4 acres, have offered to pay the portion of the remaining annexation charges attributable to such 128.4 acres in cash;

WHEREAS, the portion of outstanding annexation fees for the Fourteenth Fringe Area which is allocable to the 128.4 acres, determined according to the 1998-99 assessed valuation of the 128.4 acres over the 1998-99 assessed valuation of the entire Fourteenth Fringe Area, is \$8,786.10;

NOW THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

**Section 1.** That the Board of Directors of Metropolitan finds that it is in the best interests of Metropolitan to permit an option for the cash payment of certain annexation charges previously designated by this Board to be raised through the levying by Metropolitan of special taxes.

**Section 2.** That notwithstanding the provisions of Section 2 of Resolution 7013, such portion of annexation charges established by Section 2(a) of said Resolution 7013 still outstanding which are allocable to the property identified on Schedule 1 attached hereto, consisting of 128.4 acres, may be paid by the owner thereof, in cash.

**Section 3.** That the amount allocable to such property shall be determined by dividing the 1998-99 assessed valuation of the Fourteenth Fringe Area by the 1998-99 assessed valuation of the property identified on Schedule 1, both as determined by the County Assessor of the County of Riverside, and applying such percentage to the outstanding balance of annexation charges for the Fourteenth Fringe Area.

**Section 4.** That the amount of annexation charges allocable to the property identified on Schedule 1, determined as provided in Section 3 above, is \$8,786.10.

**Section 5.** That upon payment to Metropolitan of \$8,786.10 by or on behalf of the owner of the property identified in Schedule 1, such property shall, for fiscal year 1999-2000 and all subsequent fiscal years, no longer be levied Metropolitan special taxes for the purpose of paying the annexation charges fixed in Resolution 7013.

**Section 6.** That this Board hereby authorizes the filing with the California State Board of Equalization a statement of boundary change and any necessary supporting documents required for the establishment of a new tax rate area within the Fourteenth Fringe Area, following the payment authorized pursuant to this Resolution, to effect the provisions of Section 5 above.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on November 10, 1998.

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Executive Secretary  
The Metropolitan Water District  
of Southern California