



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: November 25, 2024
To: Bernadette Robertson, Controller
From: Nancy Warfel, Resource Specialist
Subject: Annexation Charge for Calendar Year 2025

Per Administrative Code § 3300(b), staff has updated the per acre annexation charge as of June 30, 2024. The Annexation Charge is equal to the replacement cost of MWD facilities and participation rights, less accumulated depreciation, less debt outstanding, divided by the total service area acreage. The calculation details can be seen in Table 1 below. Based on this method, the estimated 2025 annexation charge becomes \$8,265 per acre, an increase of 8.8% from the 2024 annexation charge of \$7,596 per acre. The primary driver for the change in the annexation charge is the increase in SWP Participation Rights.

Table 1: 2025 Annexation Charge Computation

	Source	(in 2025 \$)
MWD Assets (RCN)	RPM, R&R Model	\$ 31,523,541,391
MWD Land (RCN)	AV Land Index	\$ 3,639,882,877
Accumulated Depreciation MWD Assets (RCN)	RPM, R&R Model	\$ (10,934,493,872)
Participation Rights in SWP (RCN)	B-Tables, DWR	\$ 18,005,853,410
Other Participation Rights Net (IID, A/E, Semi, South County pipeline, PVID, MA Storage/CUP programs) (RCN)	AFR	\$ 846,742,582
Participation Rights in SWP Accumulated Amortization (RCN)	B-Tables, DWR	\$ (8,818,168,927)
Other Participation Rights Accumulated Amortization (RCN)	AFR	\$ (233,354,067)
Outstanding Bonded Indebtedness non-SWP assets	MWD Balance Sheet, AFR	\$ (4,240,295,000)
Outstanding Bonded Indebtedness SWP (MWD share)	DWR Financial Statement	\$ (2,381,242,565)
Net Replacement Cost		\$ 27,408,465,828
Square miles		5,182
Acres		3,316,179
conversion		640
Annexation Charge (\$/acre)		\$ 8,265

Policy

MWD Administrative Code § 3300 states that the annexation charge should be calculated as follows:

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

Recommendation

Staff recommends that the Annexation Charge for calendar year 2025 be increased to \$8,265 per acre.

cc:

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