



● 2023 Per Acre Annexation Charge Report

Summary

The annexation charge for 2023 is \$6,875 per acre.

Purpose

Metropolitan Administrative Code Section 3300: Annexation Charge Computation

Attachments

Attachment 1 – Financial Policies Related to Annexations

Attachment 2 – Annexation Water Use Efficiency Report – 2022

Detailed Report

Annexation Per-Acre Rate

The annexation charge for calendar year 2023 is \$6,875 per acre. This represents an increase of 4.1 percent above the 2022 annexation charge of \$6,605 per acre, based, in part, on the year-over-year construction cost index increased by 3.5% which is the primary driver for the change in the annexation charge. The increase is based on computations described in Metropolitan Administrative Code section 3300(b) (see Attachment 1). The annexations added 71.17 acres, or 1.39 percent demand growth, to Metropolitan's service area during fiscal year 2021/22 thus increasing the total service area to 5,181 square miles.

Section 3300 of Metropolitan's Administrative Code sets forth Metropolitan's financial policies related to the annexation charge computation. The annexation charge for areas newly annexing to Metropolitan shall be the greater of the amounts computed under Section 3300(a) Back-Tax Computation and 3300(b) Per-Acre Charge.

Pursuant to Section 3300(b) of Metropolitan's Administrative Code, the per-acre charge is calculated by, first, adding the estimated replacement cost of (1) Metropolitan's facilities, (2) the unamortized participation rights in the State Water Project, and (3) other non-Metropolitan-owned projects in which Metropolitan participates. Second, Metropolitan's outstanding bonded indebtedness and the accumulated depreciation of facilities is subtracted from this total. Finally, the resulting net replacement cost is divided by the total acreage within the service area of Metropolitan as of the end of the recently completed fiscal year.

Annexation Water Use Efficiency Report

Metropolitan's Administrative Code Section 3107 requires member agencies to report water use efficiency compliance for five years following each annexation or until the new territory is included in the annexing member agency's Urban Water Management Plan (UWMP) and are listed in Attachment 2.

Metropolitan’s Administrative Code Division III, Chapter 3, Section 3300

FINANCIAL POLICIES RELATED TO ANNEXATIONS

Sec.

3300. Annexation Charge Computation

3301. Taxes for Past Annexations

§ 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 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.

M.I. 38048 – January 9, 1990; amended by M.I. 38304 - June 12, 1990; paragraph (b) amended by M.I. 39744 - July 14, 1992; paragraph (b) amended by M.I. 40406 - August 24, 1993; amended by M.I. 41204 - January 10, 1995; paragraph (b) amended by M. I. 46106 – February 8, 2005.

Annexation Water Use Efficiency Report for Year 2022

Eastern Municipal Water District

| <i>Annexation Territory</i> | <i>Completed</i> | <i>Years Left to Report</i> |
|------------------------------|-------------------|-----------------------------|
| 108th Fringe Area Annexation | November 8, 2018 | 1 |
| 109th Fringe Area Annexation | November 22, 2019 | 2 |
| 110th Fringe Area Annexation | July 17, 2019 | 2 |
| 111th Fringe Area Annexation | February 11, 2021 | 4 |

Calleguas Municipal Water District

| <i>Annexation Territory</i> | <i>Completed</i> | <i>Years Left to Report</i> |
|-----------------------------|-------------------|-----------------------------|
| Annexation No. 101 | August 27, 2018 | 1 |
| Annexation No. 102 | July 30, 2018 | 1 |
| Annexation No. 103 | December 17, 2019 | 2 |
| Annexation No. 104 | July 25, 2022 | 5 |
| Annexation No. 106 | October 26, 2022 | 5 |

San Diego County Water Authority

* Pursuant to Section 3107 of the MWD Administrative Code, the following two annexations were included in SDCWA's UWMP 2020 and do not require further reporting:

| <i>Annexation Territory</i> | <i>Completed</i> | <i>Years Left to Report</i> |
|-----------------------------------|--|-----------------------------|
| Rancho Corrido RV Park Annexation | October 15, 2021 Rerecorded with corrections February 14, 2022 | 0 |
| SVBF Temple Annexation | December 16, 2021 | 0 |

Western Municipal Water District

| <i>Annexation Territory</i> | <i>Completed</i> | <i>Years Left to Report</i> |
|-----------------------------|------------------|-----------------------------|
| 51st Fringe Area | October 16, 2018 | 1 |
| 52nd Fringe Area | June 16, 2020 | 3 |