



● **Board of Directors**
Real Property and Asset Management Committee

12/13/2022 Board Meeting

7-11

Subject

Authorize the General Manager to enter into the First Amendment to the Agreement regarding Annexation of the Murrieta Window Area with Western Municipal Water District and Eastern Municipal Water District to extend the term ten years; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This is a request to authorize the General Manager to enter into the first amendment to the Agreement regarding Annexation of the Murrieta Window Area (Agreement) with member agencies Western Municipal Water District (WMWD) and Eastern Municipal Water District (EMWD). The amendment will extend the termination date ten years to December 14, 2034. This Agreement is unique in that it allowed the property owners to pay annexation fees only when they requested municipal water service. It was anticipated that most of the parcels would be developed and connected to the municipal system by the end of the original term in 2024; however, the anticipated development did not occur due, in part, to the intervening recession. The extension of the Agreement will allow for the remaining parcels in the Murrieta Window Area to connect to the municipal water system and to receive Metropolitan water when they are developed or when they require additional supply. Metropolitan's then-current per acre annexation charge will be collected when the property owners request municipal water service.

Background

In 1989, EMWD and Murrieta County Water District (MCWD) entered into an agreement for imported water service within the EMWD and Metropolitan service areas near the Murrieta Window Area. As part of this process, the parties sought to negotiate a resolution to address the need for municipal service in the Murrieta Window Area because many owners in the area could not afford to annex at that time.

On December 14, 1999, Metropolitan, WMWD, and EMWD, as well as the since-dissolved MCWD, entered into the Agreement to annex approximately 5.8 square miles (approximately 1,153 parcels), referred to as the Murrieta Window Area and located in the southwest section of the city of Murrieta (**Attachment 1**). WMWD and EMWD became successors to MCWD's interests when it dissolved. The Agreement was preceded by many years of economic growth that increased domestic water demand, but the growth also raised concerns about groundwater quality because the area had agricultural uses dependent on private wells and septic systems.

The Agreement allows property owners to pay the then-current annexation fees only when they request municipal water service. Ad valorem taxes and standby charges were levied and collected across the entire Murrieta Window Area since the 1999 annexation. The original term of the Agreement was for 25 years, set to terminate on December 14, 2024. Although the parties anticipated most parcels would have been connected and paid by then, they also planned for what to do if there were outstanding unpaid parcels.

The Agreement required the parties to meet and confer five years prior to the termination date in 2024 to discuss options for parcels that had not yet connected to the system. Without an extension of the Agreement, the remaining parcels are required to formally disannex. Since the annexation, approximately 3 square miles (approximately 588 parcels) have paid the per acre annexation fees and been physically connected. There are approximately 2.9 square miles (approximately 585 parcels) that have not yet connected to municipal water service or annexed.

As required by the Agreement, since early 2019, Metropolitan, WMWD, and EMWD staff have explored other options. The parties agree that an extension of the current Agreement is the best option to allow the parcels more time to develop. In 2022, WMWD and EMWD requested a ten-year extension to allow for the remaining parcels to connect commensurate with economic growth in western Riverside County. This also will allow the Riverside Local Agency Formation Commission or LAFCO to complete its Focused Municipal Service Review for the Murrieta Service Area to resolve service issues in the area. All other terms in the Agreement will remain the same.

Policy

By Minute Item 43683, dated August 17, 1999, the Board approved the Agreement Regarding Annexation of the Murrieta Window Area.

Metropolitan Water District Administrative Act Section 350: Annexation of Corporate Area of Agency

Metropolitan Administrative Code Section 3100: Request for Annexation

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to enter in to the First Amendment to the Agreement regarding Annexation of the Murrieta Window Area with WMWD and EMWD to extend the term ten years.

Fiscal Impact: Receipt of future annexation per acre charges and water sales revenue from eligible parcels.

Business Analysis: This amendment will provide the ability for water service and associated benefits to the property owners. The initial fixed and variable costs will be borne by WMWD and EMWD, and property owners, including processing, infrastructure, and the cost of raw and treated water. This amendment helps to meet Metropolitan's member agencies' requests.

Option #2

Decline the request to amend the Agreement and terminate the contract as originally proposed.

Fiscal Impact: Unrealized annexation fee and water sales revenue from eligible parcels under this Agreement.

Business Analysis: The parcels that did not pay the annexation per acre charges to become eligible to connect will not receive the direct benefits of water service through WMWD, EMWD, and Metropolitan. These parcels will be detached from the Metropolitan service area.

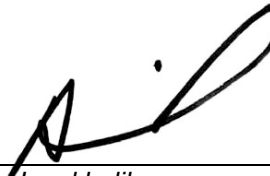
Staff Recommendation

Option #1



Lilly L. Shraibati
Real Property Group Manager

11/21/2022

Date

Adel Hagekhalil
General Manager

11/29/2022

*Date***Attachment 1 – Map**

Ref# rpdn 12692717

