

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 10.a

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MEETING DATE: Thursday, May 4, 2023

AGENDA ITEM: Fix the 2023/2024 General Ad Valorem Tax Rate Pursuant to A.R.S. 48-3715, Subsection A

RECOMMENDATION: The Finance, Audit and Power Committee recommend that the Board of Directors fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation for the 2023/2024 tax year.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Each cent of ad valorem tax is worth approximately \$7.0 million for the 2023/2024 tax year.

The 10-cent recommendation will generate approximately \$70 million.

Additional spending authority requested: None

Impact on Reserves:

Extraordinary Cost Reserve will increase by \$59 million, less any revenues directed to other purposes by the Board.

Impact on Rates:

\$11 million is applied to repayment, which decreases the capital charge from \$69/af to \$54/af. Tax revenues may be applied toward water rates and repayment (which reduces capital charges) to reduce the amount owed by customers.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

PREVIOUS BOARD ACTION/ACTIVITY:

June 2022 Board Approved 2022-2023 Tax Rate

April 2023 FAP Committee discussed the 2024-2028 Preliminary rates and taxes and made a recommendation to the CAWCD Board

ISSUE SUMMARY/DESCRIPTION:

By statute, the counties must inform property owners of the assessed value of their properties by March of each year prior to the year the assessment takes effect (e.g., March 2022 for the tax year that begins July 1, 2023). The assessments are based on valuations from the middle of the previous calendar year (e.g., the valuation for the tax year beginning July 1, 2023, would be based on valuations from mid-2021). Valuations are approximately two years behind the pertinent tax year.

Taxes are based on Limited Property Value (LPV) and LPV is constrained to rise no more than 5% per year, although newly built property will be recorded at its actual Full Cash Value (FCV) for the initial year.

During this planning cycle, Elliot D. Pollack Co. was retained to assist in developing property tax valuation estimates for the next few years. Valuation estimates were slightly higher than last year's forecast in the near term. According to the Maricopa County Assessor's website, the median home value in Maricopa County is just over \$200,000. A homeowner with a residence at this median value would pay approximately \$28 to CAWCD if the full 14 cents of taxing authority is authorized (approximately \$2.00 for every penny assessed).

STAKEHOLDER PERSPECTIVES:

A Stakeholder Rate Briefing was held April 13, 2023 and is discussed in the presentation.

SUGGESTED MOTION:

I move that the Board of Directors fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation for the 2023/2024 tax year.

ATTACHMENTS:

None