

Agenda Number 5.b

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MEETING DATE: Thursday, May 5, 2022

AGENDA ITEM: Fix the 2022/2023 Water Storage Tax Rate Pursuant to A.R.S. §48-3715.02, Subsection B

RECOMMENDATION: The Finance, Audit and Power Committee recommends that the Board of Directors fix the CAWCD Water Storage Tax Rate at 4 cents (\$0.04) per one hundred dollars (\$100) of net assessed valuation (NAV) for the 2022/2023 tax year.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Each cent of ad valorem tax is estimated to generate approximately \$6.8 million in revenue in 2022-2023. If the Water Storage tax is assessed at the maximum level, this translates into \$27.2 million.

Additional spending authority requested: None

Impact on Reserves:

Reserves will increase by \$27.2 million, less any revenues directed to other purposes by the Board.

Impact on Rates:

The Board may utilize tax revenues to reduce water rates or capital charges.

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 2021 Board Approved 2021-2022 Tax Rates

April 2022

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 2021 for the tax year that begins July 1, 2022). 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, 2022, would be based on valuations from mid-2020). 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 under \$250,000. A homeowner with a residence at this median value would pay approximately \$35 to CAWCD if the full 14 cents of taxing authority is authorized (approximately \$2.50 for every penny assessed).

STAKEHOLDER PERSPECTIVES:

On April 5, 2022, staff hosted a Roundtable on taxes, rates and reserves. 14 customers were present and spoke. A Stakeholder Rate Briefing was held April 14, 2022. Those that expressed an opinion were unanimous that:

1. The large increase in the 2023 rates is beyond their ability to predict and absorb without major impacts to their programs
2. CAP should direct a portion of tax revenues toward Federal Repayment
3. Many cities are on a multi-year planning cycle and on a different fiscal year than CAP. They base rate studies on CAP preliminary and advisory rates.
4. Cities have been planning for shortage based on DCP Tiers, but that is over the long-term.
5. Many cities indicated it would take 18-24 months to approve new rates that correspond with the new CAP rate schedule.
6. To pay the increased rates, cities will have to delay or defer critical infrastructure projects, maintenance, staffing issues, etc. until they can align their rate structure with these increased costs.
7. Budget impacts reported at roundtable ranged from \$100,000 to \$1,000,000.

SUGGESTED MOTION:

I move that the Board of Directors fix the CAWCD Water Storage Tax Rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for the 2022/2023 tax year.

ATTACHMENTS:

None