

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 10.b

CONTACT: Christopher Hall
623-869-2632
chall@cap-az.com

Doug Dunlap
623-869-2360
ddunlap@cap-az.com

MEETING DATE: Thursday, May 4, 2023

AGENDA ITEM: Fix the 2023/2024 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 2023/2024 tax year.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Each cent of ad valorem tax is estimated to generate approximately \$7.0 million in revenue in 2023-2024. If the Water Storage tax is assessed at the maximum level, this translates into \$28.0 million.

Additional spending authority requested: None

Impact on Reserves:

Reserves will increase by \$28 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 apply toward repayment, which lowers needed 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 2022 Board Approved 2022-2023 Water Storage Tax Rate

April 2023 FAP Committee discussed CAWCD 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 a discussion is included in the presentation.

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 2023/2024 tax year.

ATTACHMENTS:

None