

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 10.c

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MEETING DATE: Thursday, May 4, 2023

AGENDA ITEM: Adopt a Resolution Regarding the Use of the 2023/2024 Water Storage Tax, Pursuant to A.R.S. 48-3715.02, Subsection B and C

RECOMMENDATION: The Finance, Audit and Power Committee recommends that the Board of Directors adopt a resolution determining that all of the Water Storage tax levied in tax year 2023/2024 is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I firming.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Funds included in 2023 budget

Additional spending authority requested: None

Impact on Reserves:

None

Impact on Rates:

None

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 resolution.

April 2023 The FAP Committee 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.

During this planning cycle, the Elliot D. Pollack Co. was retained to assist in developing property tax valuation estimates for the next few years. 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.

Historically, the Board has levied the Water Storage Tax at the statutory maximum of 4 cents per \$100 of assessed valuation. At the maximum rate, the amounts collected in Pima and Pinal counties either just meet

or cannot satisfy all of the M&I firming needs for those counties and are completely consumed. However, since CAWCD is only allowed to assess a single rate for all three counties, more is collected in Maricopa County than is needed for M&I firming in that county.

In November 2018, the Board approved the renewal of the intergovernmental agreement (IGA) among CAWCD, the Arizona Water Banking Authority and the Arizona Department of Water Resources. The agreement commenced on January 1, 2019 and will remain in effect until December 31, 2028. Section 6(b) of the IGA states that CAWCD and AWBA agree to meet and confer periodically throughout the year regarding disbursement of tax revenues collected by CAWCD pursuant to A.R.S. §48-3715.02 for AWBA activities.

Section 6.2(b) requires the AWBA to include in its draft annual report, the estimated amount of revenues it will seek from the water storage tax for purchase of the projected target volume of long term storage credits (LTSCs) for CAP M&I firming, accounted for by the County, during the following calendar year. The amount is subject to approval by the CAWCD Board at its June meeting of the CAWCD Board of Directors and will set forth in its annual resolution delivered to ADWR.

STAKEHOLDER PERSPECTIVES:

The Arizona Water Banking Authority is not requesting Water Storage Tax funds for 2024 due to a surplus in carryover funds sufficient to cover planned credit purchases. If additional credit purchase opportunities become available in 2024 that exceed the amount available in carryover funding, the AWBA may request additional funding in accordance with the terms of the IGA.

SUGGESTED MOTION:

I move that the Board of Directors adopt a resolution determining that all of the Water Storage tax levied in tax year 2023/2024 is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I firming.

ATTACHMENTS:

1. Resolution Regarding Ad Valorem Tax for Water Storage