



# Adopt Resolution Establishing the Tax Rate for FY 2018/19

Finance & Insurance Committee  
Item 5A-2  
August 20, 2018

# Ad Valorem Tax Background

- Metropolitan Water District (MWD) Act authorizes property taxes to pay obligations of the District
- Proposition 13 allows agencies to repay existing voter-approved indebtedness
- Metropolitan's share of State Water Contract (SWC) costs are within the exception for indebtedness
- Metropolitan's general obligation bonds are within the exception for indebtedness

# MWD Act Section 124.5

- MWD Act Section 124.5, enacted in 1984, limits ad valorem property taxes to recover:
  - Metropolitan's general obligation bonds debt service
  - A portion of its SWC obligations, limited to the debt service on state general obligation bonds (Burns-Porter bonds) for facilities benefitting Metropolitan
- The Section 124.5 limitation does not apply if the Board makes the required determination following a noticed public hearing, with separate notice to the Legislature
- Board has suspended the limitation for FYs 2013/14 through 2019/20

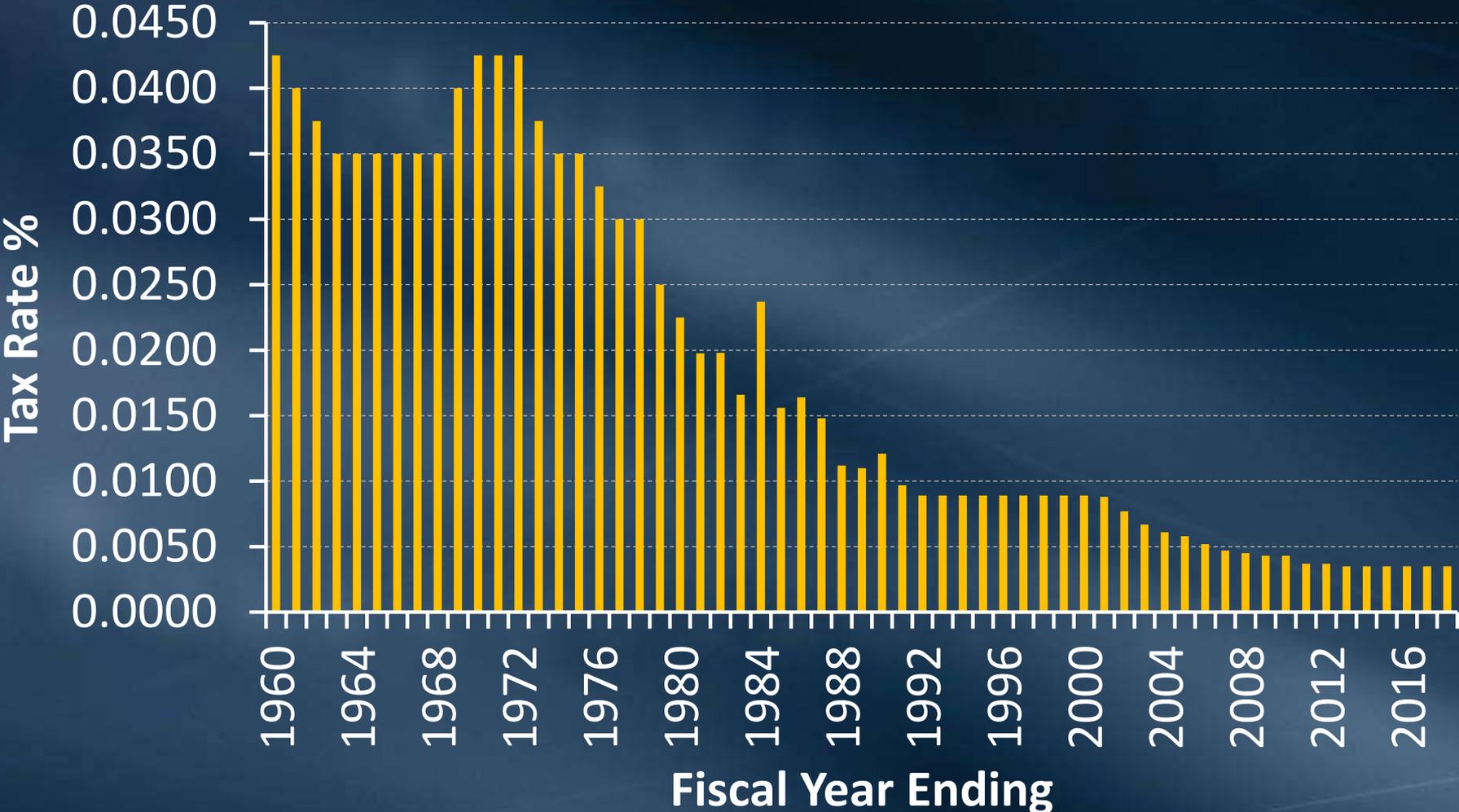
# Process

- February 2018: Noticed Legislature
- March 2018: Public Hearing
- April 2018: Board adopted the resolution suspending Section 124.5 for FYs 2018/19 and 2019/20
- August 2018: Establish the tax rate for FY 2018/19

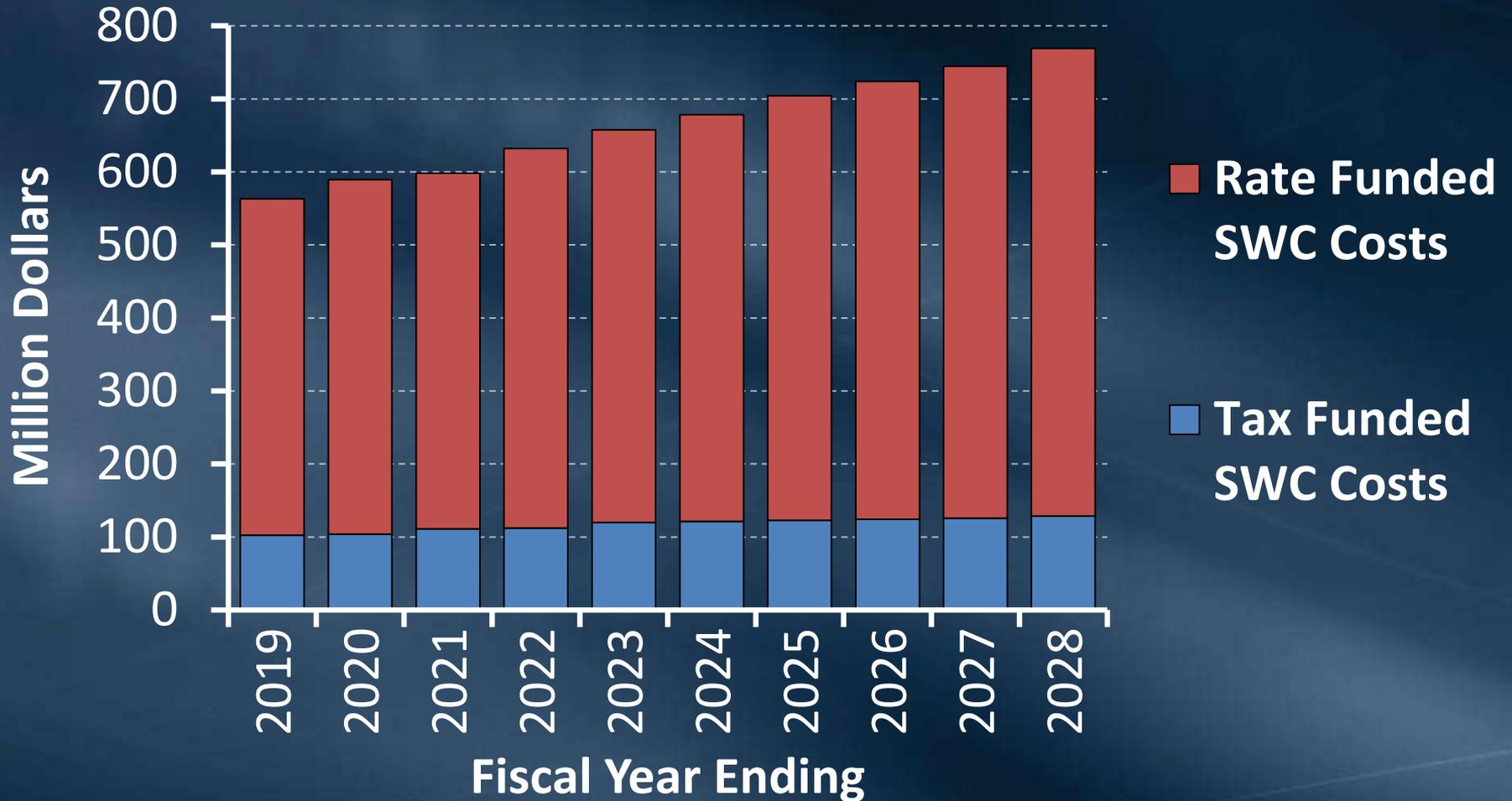
# Current Ad Valorem Tax Rate

- .0035% of assessed valuations
- A single-family residence in Metropolitan's service area assessed at \$400,000 currently pays about \$14 per year in ad valorem taxes towards Metropolitan's costs
- Proposal to maintain the rate
  - Biennial budget for FYs 2018/19 and 2019/20, water rates for CYs 2019 and 2020, and charges for CY 2019, adopted in April 2018, are based on continuation of existing tax rate

# Historical Property Tax Rate



# State Water Contract Costs without CA WaterFix



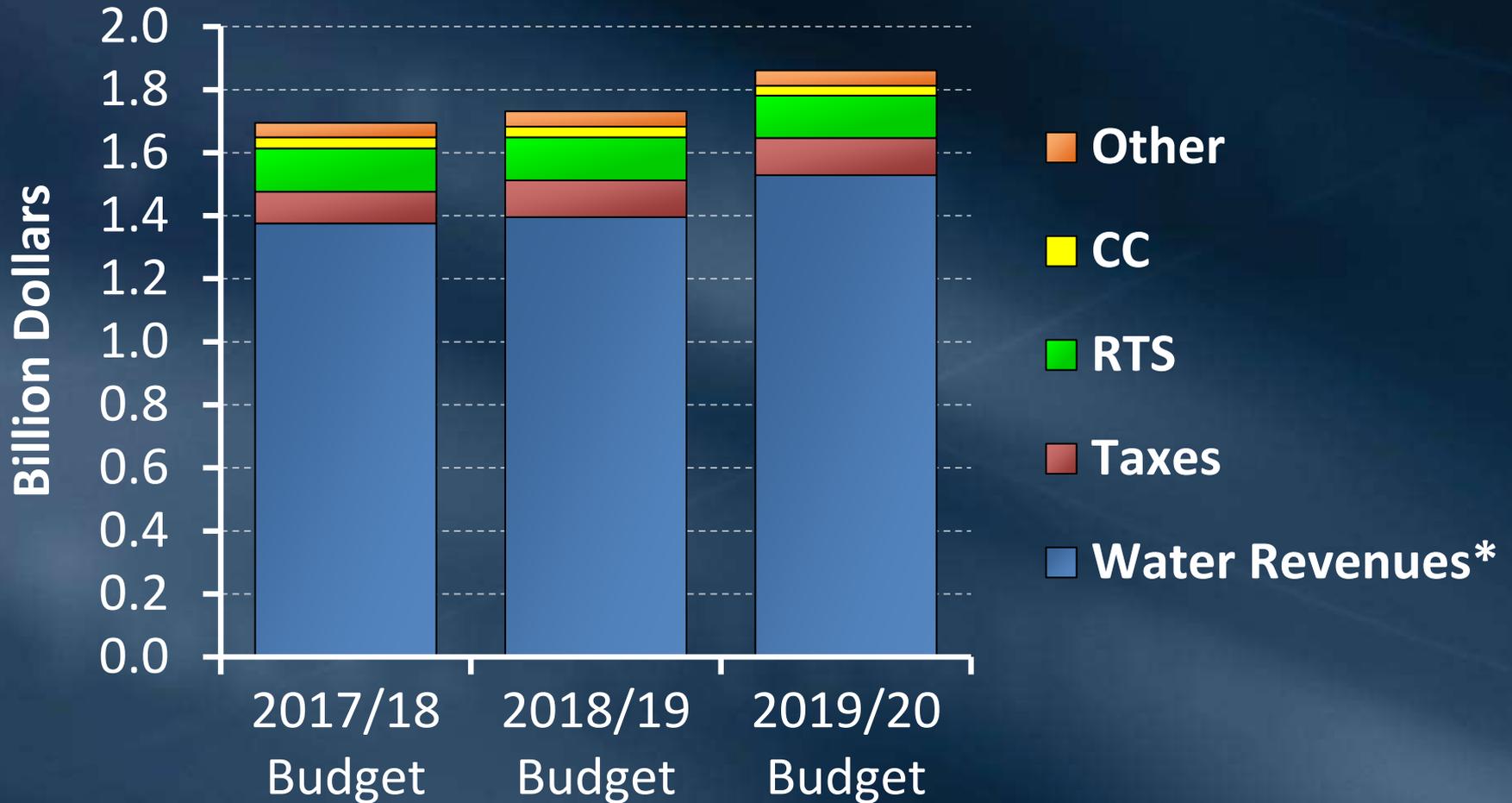
# Maintaining the Ad Valorem Tax Rate

- Fundamental to fiscal health are mechanisms for funding immediate and anticipated SWC obligations that are balanced
- SWC obligations have steadily increased and are expected to continue to increase
  - ~33 percent of budgeted expenditures; the single largest cost category
- Ad valorem taxes help ensure a fair and appropriate balance between fixed costs and fixed revenues
  - ~80 percent of Metropolitan's costs are fixed, yet only 16 percent of revenues are fixed
  - ~70 to 80 percent of SWC obligations are fixed, yet ad valorem taxes on Burns-Porter bonds are only 2 percent of the SWC costs

# Maintaining the Ad Valorem Tax Rate

- Metropolitan provides a reliable supplemental water supply to a broad service area; the region and its substantial economy benefit from the availability of water
- Ad valorem taxes ensure:
  - The cost of Metropolitan's services are shared by all property-owning residences and businesses
  - The diversity of fixed revenues is maintained, which supports strong credit ratings
  - The diversity of fixed versus volumetric revenues preserves equity across member agencies
  - The balance of property taxes, rates, and charges are balanced and promote long-term fiscal health
  - A critical fixed source of revenue is maintained when alternative new collections from properties are unavailable or impractical

# Revenue Trend



\* Includes water sales, exchanges and wheeling

# Board Options

- Option #1
  - Adopt the CEQA determination
  - Adopt Attachment 1, Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2018 and Ending June 30, 2019, maintaining the tax rate of .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2017/18
  - Direct staff to transmit that resolution to the county auditors

# Board Options (continued)

- Option #2
  - Adopt the CEQA determination
  - Adopt Attachment 2, Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2018 and Ending June 30, 2019 at a different rate (exclusive of annexation levies)
    - And direct staff to set a process to revisit the biennial budget for FYs 2018/19 and 2019/20, the water rates for CYs 2019 and 2020, and the charges for CY 2019, which were adopted based on an assumption that the existing .0035% ad valorem property tax rate would continue
  - Direct staff to transmit that resolution to the county auditors

# Staff Recommendation

- Option #1
  - Adopt CEQA determination, and
  - Adopt Attachment 1, Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2018 and Ending June 30, 2019, maintaining the tax rate of .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2017/18
  - Direct staff to transmit that resolution to the county auditors

