



# Adopt Resolution Establishing the Tax Rate for FY 2020/2021

**Finance & Insurance Committee  
Item 7-1  
August 17, 2020**

# Process

February 24, 2020	Notice of public hearing provided to Legislature
February 26, 2020	Published notice of hearing
March 9, 2020	Presentation to F&I Committee
March 10, 2020	Public Hearing
April 14, 2020	Board action to adopt resolution on the applicability of the tax rate limit
August 2020	Board action to adopt resolution establishing the tax rate for FY 2020/21
August 2021	Board action to adopt resolution establishing the tax rate for FY 2021/22

# 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

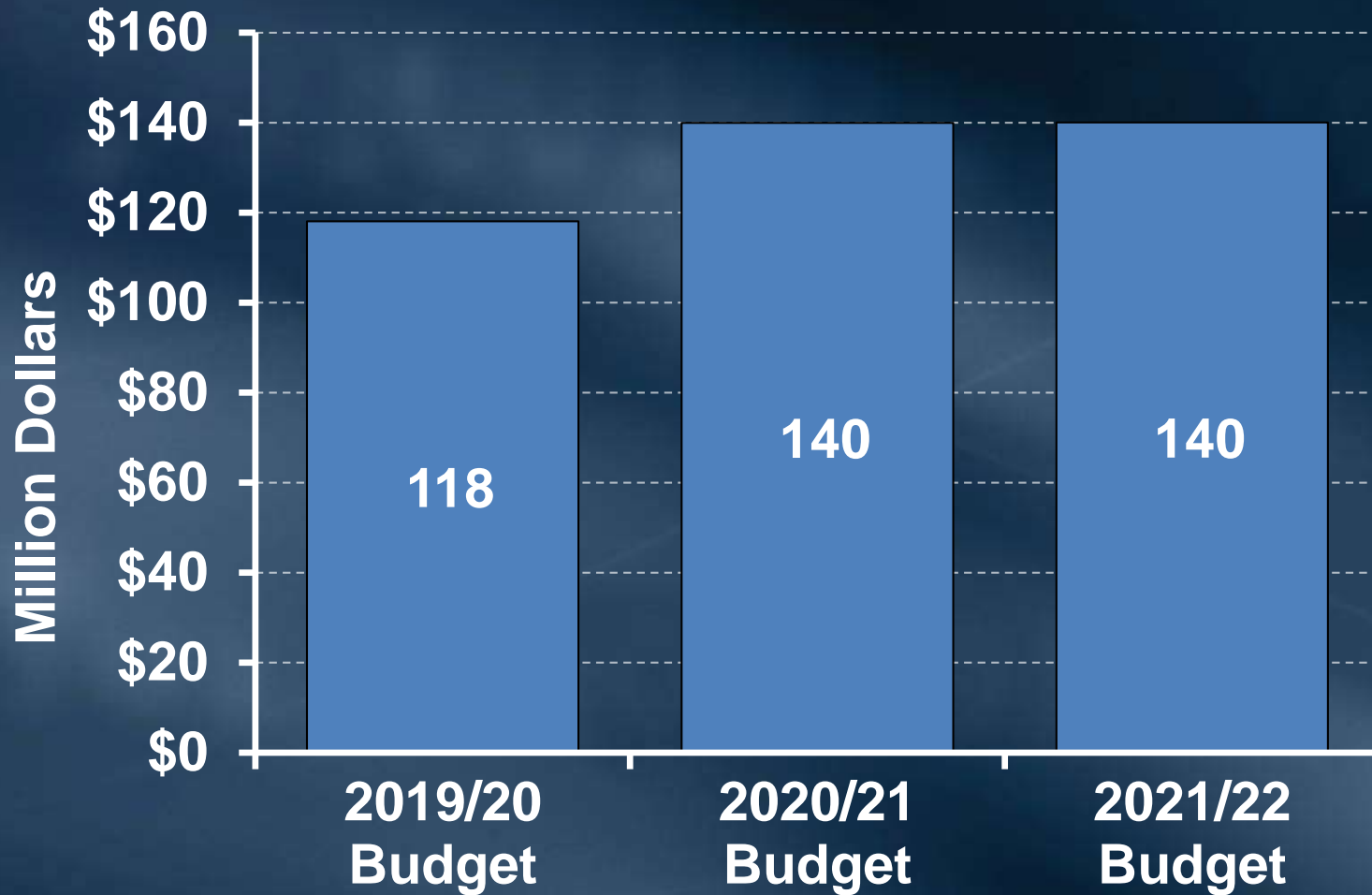
# MWD Act Section 124.5

- Metropolitan Act Section 124.5, enacted in 1984, limits ad valorem property taxes to recover:
  - Metropolitan's general obligation bond debt service
  - A portion of its State Water Contract obligations, limited to the debt service on state general obligation bonds (Burns-Porter bonds) for facilities benefitting Metropolitan
- The restrictions of Section 124.5 do not apply if the Board finds, pursuant to providing notice to the Legislature and a public hearing, that collecting more is "essential to the fiscal integrity of the District"
- In April, 2020, the Board has determined it was essential to Metropolitan's fiscal integrity to maintain the tax rate at .0035 percent

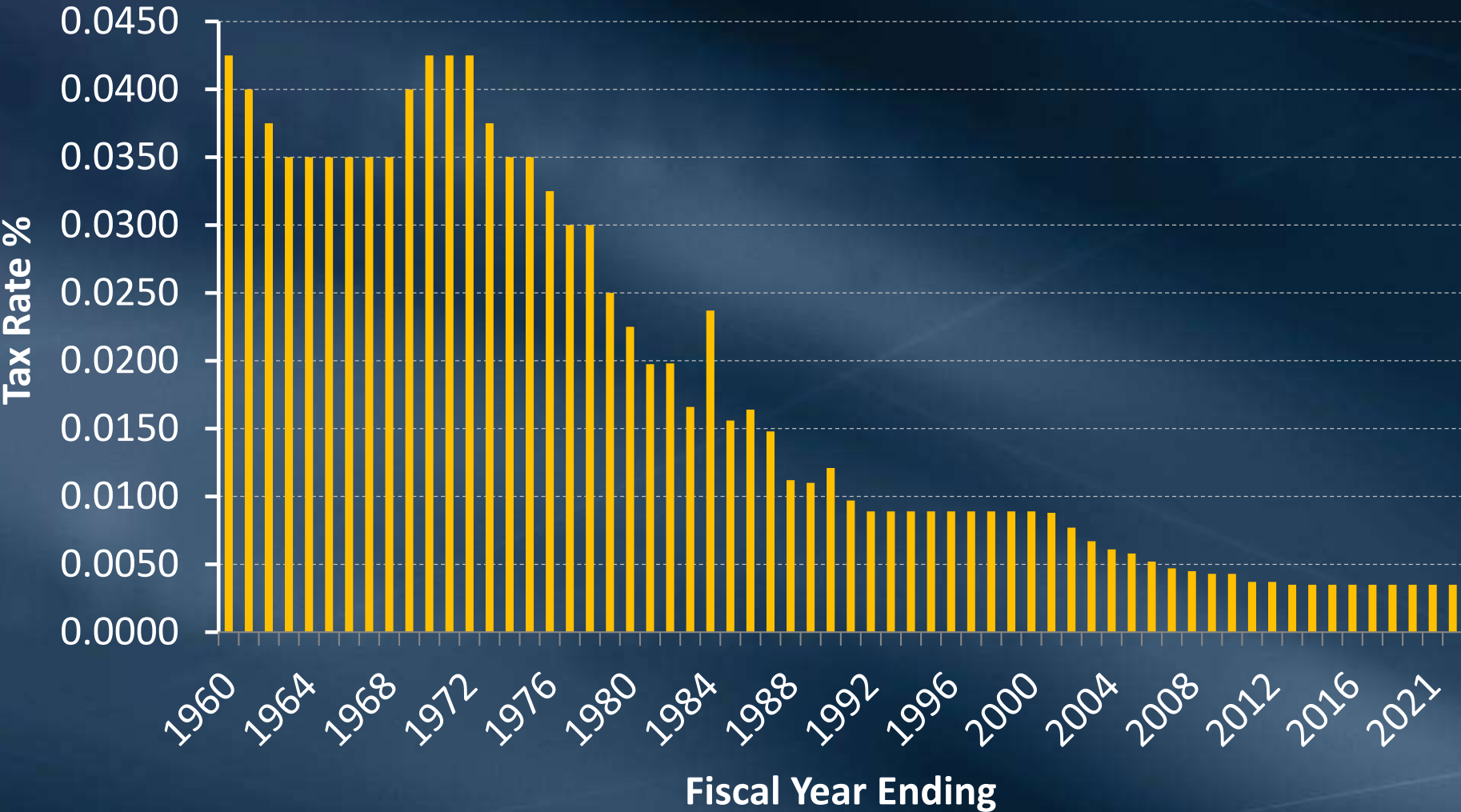
# Current Ad Valorem Tax Rate

- .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 2020/21 and 2021/22, water rates for CYs 2021 and 2022, and charges for CYs 2021 and 2022, adopted in April 2020 are based on continuation of existing tax rate

# Property Tax Revenue



# Historical Property Tax Rate





# Maintaining the Ad Valorem Tax Rate

- Fundamental to fiscal health are mechanisms for funding immediate and anticipated SWC obligations
- SWC obligations have steadily increased and are expected to continue to increase
  - ~36 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
  - ~84 percent of Metropolitan's costs are fixed, yet only 17 percent of revenues are fixed
  - ~70 percent of SWC obligations are fixed, yet ad valorem taxes on Burns-Porter bonds are less than 2 percent of the SWC costs



# Board Options

## ● Option #1

- Adopt the Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2020 and ending June 30, 2021 for the Purposes of The Metropolitan Water District of Southern California (**Attachment 1**) maintaining the tax rate at .0035 percent of assessed valuation, the same rate levied in FY 2019/20; and
- Direct staff to transmit that resolution to the county auditors
- **Fiscal Impact:** No impact to the adopted biennial budget for fiscal years 2020/21 and 2021/22 and water rates and charges for calendar years 2021 and 2022 as they were based on a tax rate of 0.0035 percent.

# Board Options

- Option #2
  - Adopt the Resolution Levying Ad Valorem Property Taxes for the Fiscal Year Commencing July 1, 2020 and ending June 30, 2021 for the Purposes of The MWD (**Attachment 2**) at a tax rate different than the existing tax rate, applied to assessed valuation; and transmit that resolution to the county auditors
  - Direct staff to transmit that resolution to the county auditors
  - **Negative Fiscal Impact:** Creates a deficit of up to \$148 million in fiscal years 2020/21 and water rates and charges for calendar years 2021 and 2022.

# Board Options

- Staff Recommend Option #1

