

Review of MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22

Finance & Insurance Committee
Item 9-2
March 9, 2020



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"
- Since FY 2013/14, the Board has determined it was essential to Metropolitan's fiscal integrity to maintain the tax rate at .0035 percent

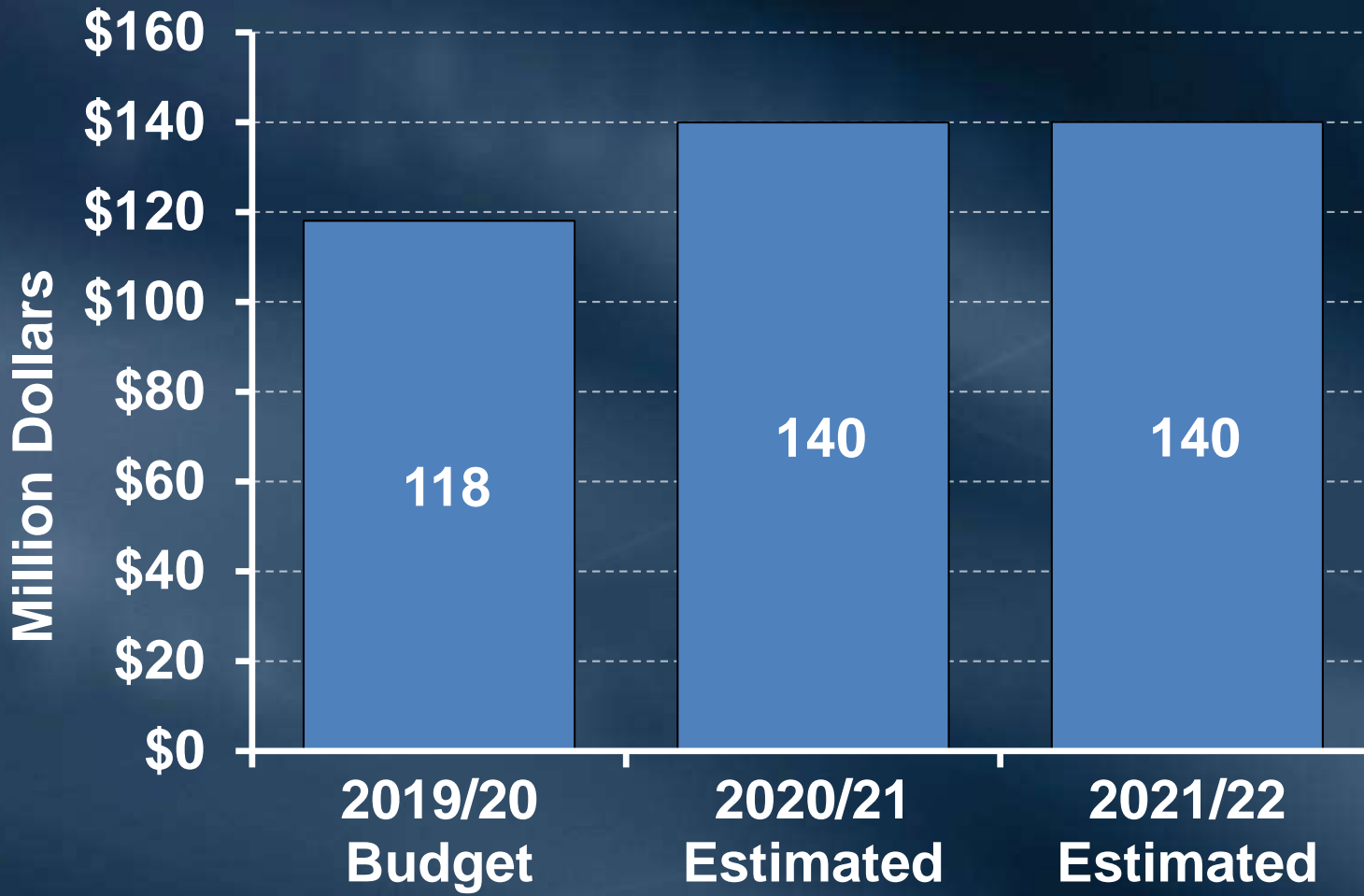
Maintaining the Ad Valorem Tax Rate

- 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

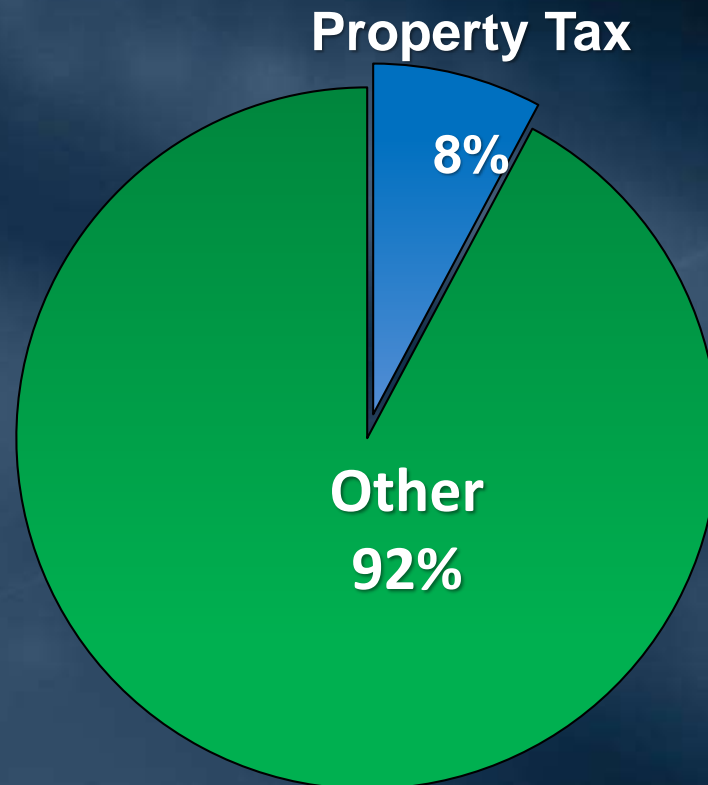
Maintaining the Ad Valorem Tax Rate

- Metropolitan provides reliable supplemental water services to a broad service area; the region and its substantial economy benefit from the availability of Metropolitan's water and system
- Ad valorem taxes ensure:
 - The diversity of fixed revenues is maintained, which supports strong credit ratings
 - The mix of property taxes, rates, and charges are balanced and promote long-term fiscal health
 - The cost of Metropolitan's services are shared by all property-owning residences and businesses

Property Tax Revenue



Revenues FY 2020/21 Budget



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

