



Finance, Affordability, Asset Management & Efficiency Committee

Review the applicability of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2026/27 through 2035/36, consistent with the Ten-Year Financial Forecast

Item 9-2

September 9, 2025

Item 9-2

Metropolitan Water District Act Section 124.5

Subject

Review the applicability of the Metropolitan Water District Act Section 124.5 ad valorem property tax limitation for fiscal years 2026/27 through 2035/36, consistent with the Ten-Year Financial Forecast

Purpose

To provide information to the Board regarding the applicability of Section 124.5 and its impact on property tax revenues

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 (SWC) obligations, limited to the debt service on state general obligation bonds (Burns-Porter bonds) for facilities benefitting Metropolitan
- Metropolitan currently collects only a special ad valorem (AV) property tax that is exempt from Proposition 13 limitations, based on voter approval for GO bonds and for all SWC expenses
- Section 124.5 would limit Metropolitan's property tax collection to essentially \$0

MWD Act Section 124.5 (Continued)

- To not be subject to the limitation, the Board must adopt a determination that it is essential to Metropolitan's fiscal integrity to collect more than the Section 124.5 limit
- No specific tax rate is set with this determination; tax rates are assumed during the budget process and adopted by the Board each August
- The Act does not establish a timeframe for the determination; however, staff is recommending a period to be consistent with the Ten-Year Financial Forecast
- Before the Board may vote on the determination, the Act requires it to:
 - a notice to the state legislature, and
 - a public hearing

Next Steps

- With Board direction and feedback, staff may schedule a public hearing of the Board later in Fall 2025 to receive public comments on the applicability of Section 124.5
- After a Public Hearing, the Board will determine through an Action whether it is essential to Metropolitan's fiscal integrity to collect property taxes in excess of the Section 124.5 limit for FYs 2026/27 through 2035/36

Fiscal Impact

- As presented during the Fourth Quarter Financial Report, the FY 2024/25 Property tax revenues collected were approximately \$390 million, with a 0.007 percent levy
- If the Section 124.5 limitation applies and property tax revenues are reduced, revenue requirements from rates and charges must increase to recover the lost revenue

