



# Suspend Tax Rate Restrictions of Section 124.5 of the MWD Act

Board Meeting  
March 11, 2014

# Overview

- Review of property taxing authority
- Metropolitan Water District Act Section 124.5 provisions
- Resolution Finding that Maintaining the Ad Valorem Tax Rate is Essential to the Fiscal Integrity of the District

# Ad Valorem Tax Background

- MWD Act authorizes property taxes
- By Proposition 13, voters set limits for ad valorem property taxes
- Proposition 13 included an exception to allow agencies to repay existing voter-approved indebtedness
- Metropolitan's share of SWP costs are within the exception for indebtedness
- Metropolitan's general obligation bonds are within the exception for indebtedness

# Provisions of Metropolitan Water District Act Section 124.5

- Enacted by the Legislature in 1984 with Metropolitan support
- Restricts ad valorem taxes to the amount necessary to cover debt service for Metropolitan's General Obligation bonds and Burns-Porter bonds
- Authorizes suspending the tax limit if the Board finds that doing so is "essential to the fiscal integrity of the district"
  - Must hold a public hearing
  - Must notify the Speaker of the Assembly and the President pro Tempore of the Senate at least 10 days prior to the date of the hearing

# Current Ad Valorem Tax Rate

- .0035% of assessed valuations
- Averaged assessed value of a single-family residence in Los Angeles County is \$300,000
  - Results in AV tax assessment of \$10.50 per year
- Proposal to maintain the rate

# Reasons to Maintain the Ad Valorem Tax Rate

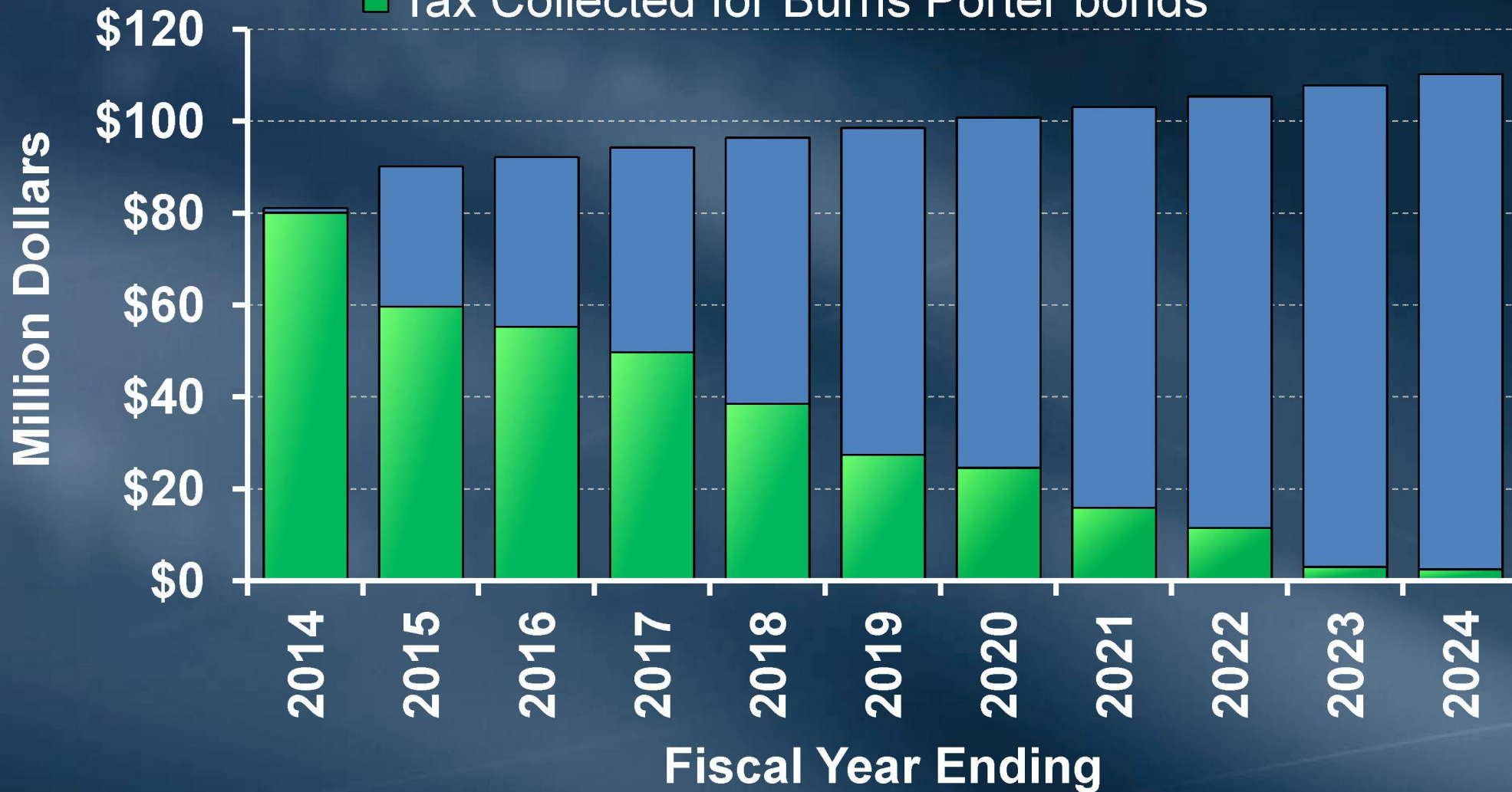
- SWC obligations have steadily increased and are expected to continue to increase
  - ~30 percent of budgeted expenditures; the single largest cost category
  - Absent freeze, taxes will continue to decrease
- Ad valorem taxes help ensure a fair and appropriate balance between fixed costs and fixed revenues
  - ~85 percent of Metropolitan's costs are fixed, yet only 18 percent of revenues are fixed
  - ~65 percent of SWC obligations are fixed, yet ad valorem taxes on Burns-Porter bonds are only 7 percent of the SWC costs

# Benefits of Maintaining the Ad Valorem Tax Rate

- Metropolitan ensures 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 are a unique tool to ensure that the cost of Metropolitan's services are shared by all residences and businesses

# Tax Collected

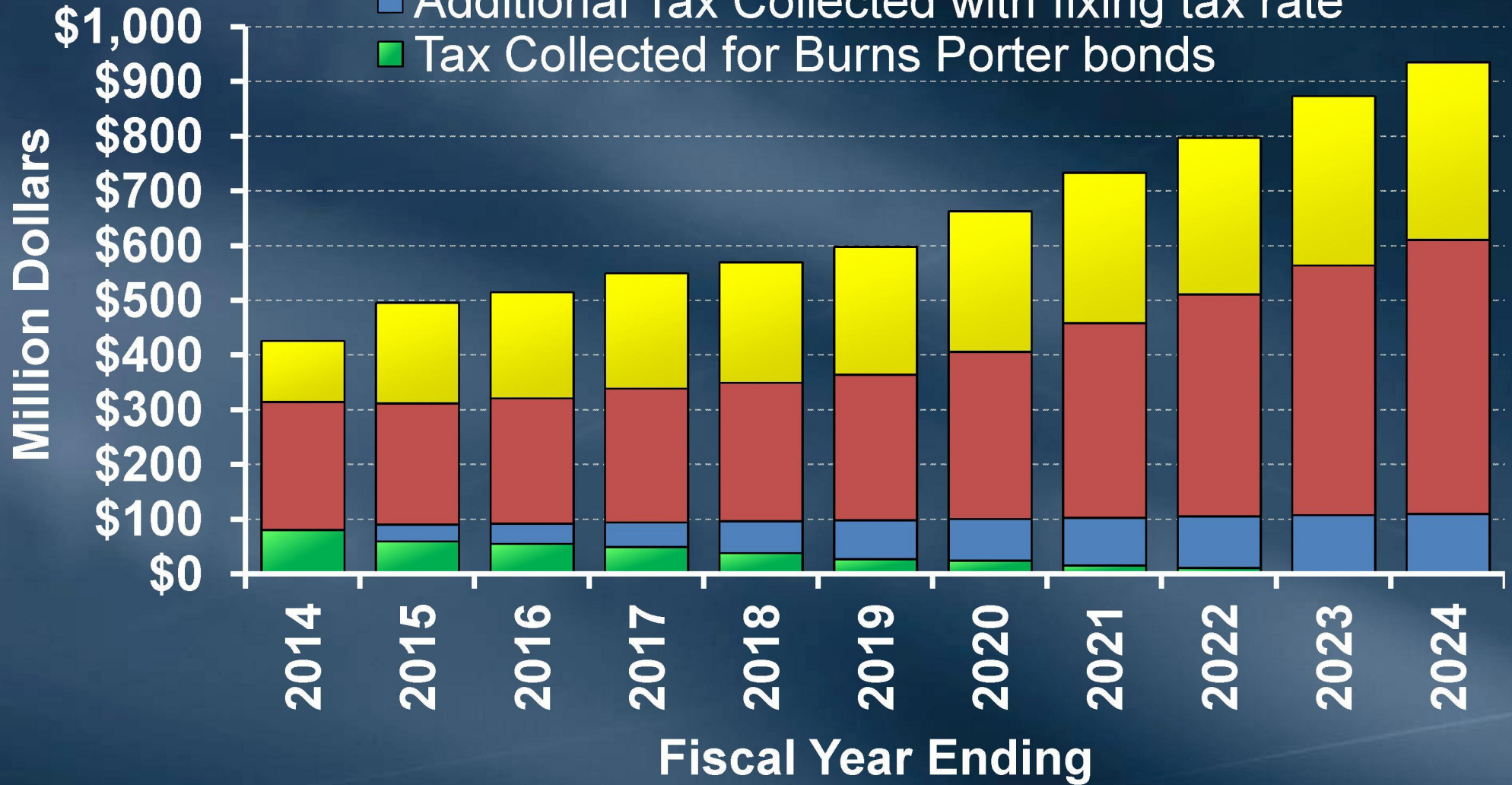
- Additional Tax Collected with fixing tax rate
- Tax Collected for Burns Porter bonds





# State Water Contract Costs

- Variable Power
- Remaning Fixed Costs
- Additional Tax Collected with fixing tax rate
- Tax Collected for Burns Porter bonds



# Process

- February 11: Board set the Public Hearing
- February 20: Notice to Legislature
- March 11: Public Hearing
- April 7: F&I Committee, Approve Biennial Budget and Water Rates and Charges
- April 8: Board, Approve Biennial Budget and Water Rates and Charges

Board consideration of Resolution Finding that Maintaining the Ad Valorem Tax Rate is Essential to the Fiscal Integrity of the District

