



Finance and Asset Management Committee

Adopt Resolution Establishing the Tax Rate for FY 2024/2025

Item 8-3
August 20, 2024

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Adopt
Resolution
Establishing the
Tax Rate for FY
2024/2025

Subject

Adopt Resolution Establishing the Tax Rate for FY 2024/2025

Purpose

To adopt a resolution to set the ad valorem tax rate for FY 2024/25

Tax Rate Adoption Process

February 24, 2022	Notice of public hearing provided to Legislature
February 22, 2022	Published notice of hearing
March 7, 2022	Presentation to F&I Committee
March 8, 2022	Public Hearing
April 12, 2022	Board action to adopt resolution on the applicability of the tax rate limit (Section 124.5)
March 12, 2024	Public hearing on proposed rates and charges (FY 25 & FY 26 Proposed Budget)
April 9, 2024	Board approved Adopted Budget for FY 2024/25 & FY 2025/26
August 2024	Board action to adopt resolution establishing the tax rate for FY 2024/25

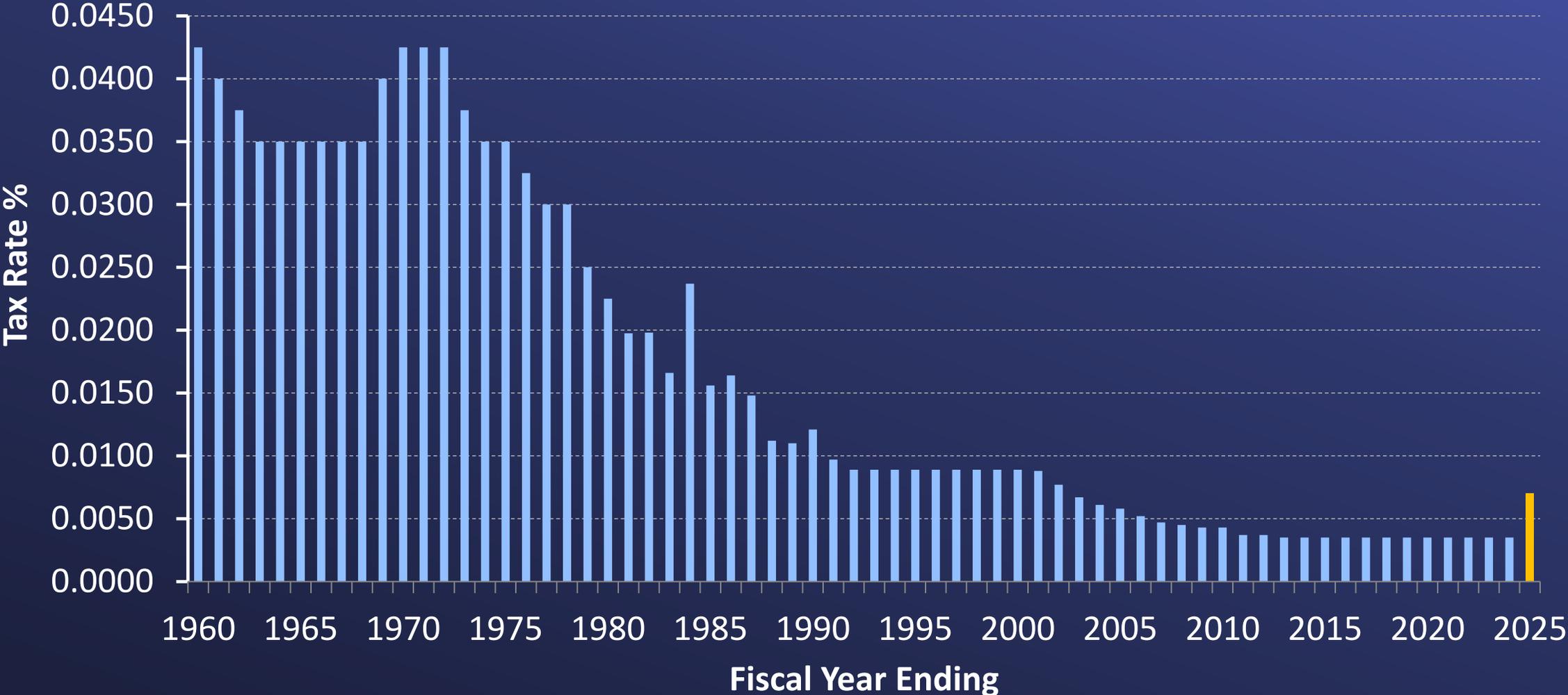
Proposed Tax Rate Adoption

- Set the rate assumed in Metropolitan's Current Budget
- Biennial budget for FYs 2024/25 and 2025/26, water rates for CYs 2024 and 2025, and charges for CYs 2024 and 2025, adopted in April 2024 are based on an increase of the ad valorem tax rate to 0.007%

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 Prop 13 exception for indebtedness
- Metropolitan's general obligation bonds are within the Prop 13 exception for indebtedness

Historical Property Tax Rate



Proposed Ad Valorem Tax Rate

- 0.007% of assessed valuations
- A single-family residence in Metropolitan's service area assessed at \$875,000 currently pays about \$60 per year in ad valorem taxes towards Metropolitan's costs

June 2024		
Typical Single Family Home Value: Zillow Home Value Index [ZHVI]		
County		Estimated Taxes per Year
Los Angeles	\$ 915,652	\$64
Orange	1,240,096	\$87
Riverside	621,613	\$44
San Bernardino	555,078	\$39
San Diego	1,012,094	\$71
Ventura	905,891	\$63

Board Options

Option #1

- Adopt the resolution establishing the ad valorem property tax rate for FY 2024/25 at 0.007 percent; and
- Direct staff to transmit that resolution to the county auditor-controllers, or equivalent, or equivalent, for the levy and collection of the ad valorem property tax.
- **Fiscal Impact:** Fiscal year 2024/25 certified assessed valuations within Metropolitan's district, assuming an ad valorem tax rate of 0.007 percent and after certain adjustments, result in an estimated increase of approximately \$14 million compared to the Adopted Budget for fiscal year 2024/25.
- **Business Analysis:** No negative impact to the Adopted Biennial Budget for fiscal years 2024/25 and 2025/26 and water rates and charges for calendar years 2025 and 2026 as they were based on a tax rate of 0.007 percent as assumed in the Adopted Budget.

Board Options

Option #2

- Adopt the resolution establishing the ad valorem property tax rate for FY 2024/25 at a rate to be determined by the Board;
- Direct staff to transmit that resolution to the county auditor-controllers, or equivalent, for the levy and collection of the ad valorem property tax; and
- Direct staff to revisit the biennial budget for FYs 2024/25 and 2025/26 and rates and charges for CYs 2025 and 2026 to make up any loss in assumed property tax revenues, and propose a revised biennial budget, rates and charges to the Board.
- **Fiscal Impact:** Up to \$325 million loss of fixed revenue (net of approximately \$5 million for unsecured tax revenues based on last year's 0.0035 percent ad valorem tax rate), dependent upon Board action for the new ad valorem tax rate.
- **Business Analysis:** Setting an AV property tax rate less than 0.007 percent would require revisiting the adopted biennial budget for fiscal years 2024/25 and water rates and charges for calendar years 2025 and potentially 2026 to make up for lost revenues.

Staff Recommendation

- Option #1

