

Agenda Number 5.b.iv.

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MEETING DATE: June 5, 2014

AGENDA ITEM: Discussion and Consideration of Action to Adopt a Resolution Regarding the Use of Water Storage Tax for the 2014/2015 Tax Year, Pursuant to A.R.S. §48-3715.02, Subsections B and C

RECOMMENDATION:

The Finance, Audit and Power Committee recommend that the Board of Directors adopt a resolution regarding the use of Water Storage Tax, Pursuant to A.R.S. §48-3715.02, Subsections B and C for the 2014/2015 tax year.

FINANCIAL IMPLICATIONS: None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

A.R.S. 48-3715.03(A) provides that the Board shall determine whether all or any portion of such tax is to be applied to the payment or repayment of CAP construction or annual operations, maintenance and replacement costs. Any taxes levied for Water Storage that are not applied to the payment or repayment of CAP construction or annual operations, maintenance and replacement are to be deposited with the State Treasurer in the Arizona Water Banking Fund.

PREVIOUS BOARD ACTION/ACTIVITY:

June 6, 2013	Board set the CAWCD Water Storage Tax rate at 4 cents per \$100 of assessed valuation
March 6, 2014	Board approved Amendment No. 1 to the Intergovernmental Agreement (IGA) among CAWCD, AWBA and ADWR to Address the AWBA's Use of CAWCD's 4-cent Tax Revenues to Purchase Long-term Storage Credits
April 17, 2014	Finance, Audit and Power Committee discussed Water Rates, Taxes and Reserves
May 15, 2014	Finance, Audit and Power Committee recommended that the Board fix the CAWCD Water Storage Tax rate for 2014/2015 at 4 cents per \$100 of assessed valuation

ISSUE SUMMARY/DESCRIPTION:

Historically, the Board has levied the Water Storage Tax at the statutory maximum of 4 cents per \$100 of assessed valuation. At the maximum rate, the amounts collected in

Pima and Pinal counties cannot satisfy the M&I firming needs for those counties and are completely consumed. However, since CAWCD is only allowed to assess a single rate for all three counties, a substantial balance has built up from collections in Maricopa County that are in excess of what has been needed for M&I firming in that county.

Since 2003, CAWCD has reserved Water Storage Tax proceeds for OM&R in order to protect the funds in its own accounts. For several years (2003-2008), those funds were designated for OM&R related to costs of M&I firming by the Arizona Water Banking Authority (AWBA). In 2009, the designation was for OM&R related to underground storage. In order to provide Board with additional flexibility, in 2010 and 2011 the designation was simply for OM&R, and in 2012 and 2013 the designation was broadened to include OM&R or Repayment.

In 2013, the CAWCD Board addressed unexpected rapid declines in the Strategic Reserves due to a weak energy market and rising costs at Navajo Generating Station (NGS). That action included replenishing the CAWCD Strategic Reserves by \$45 million from the 4-cent tax reserve, consisting of previously collected Water Storage tax designated for OM&R and Repayment in 2010-2012, and eliminated the need to collect additional amounts for reconciled rates from water customers.

In early 2014, in conjunction with a bill introduced in the Arizona Legislature to allow the AWBA to purchase long-term storage credits (that subsequently passed), the Board approved an amendment to the IGA among CAWCD, AWBA and ADWR that governs the way in which 4-cent taxes can be used to help pay for such purchases. Under this amendment, the CAWCD Board will continue to establish the Water Storage Tax rate and use each June under the existing statutory authority and process followed in previous years. Later in the year, AWBA may make a request for some amount of the Water Storage tax levied for the current tax year for the purpose of purchasing long-term storage credits.

Staff recommends that the Water Storage tax rate be kept at the statutory maximum of 4 cents for the 2014/2015 tax year, and the proceeds designated for OM&R and Repayment as was done last year. The proceeds of the tax should be deposited into the CAP Water Storage Reserve, as has been done in the past, where they will be available for use by the AWBA for M&I Firming and, under the terms of the amended IGA, available for the purchase of long-term storage credits. In the event that there is some future OM&R or Repayment need for any remaining Water Storage tax collected during the 2014/2015 tax year, a separate determination by the CAWCD Board will be required.

SUGGESTED MOTION:

I move that the Board of Directors adopt a resolution determining that all of the tax levied for Water Storage in tax year 2014/2015 is required for CAP repayment or annual operations, maintenance and replacement costs and be deposited in a designated CAWCD account with the Arizona State Treasurer.

Attachment.

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RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REGARDING AD VALOREM TAX FOR WATER STORAGE

(June 5, 2014)

WHEREAS, House Bill 2494 adopted by the Arizona Legislature in 1996 (Chapter 308, Laws of Arizona 1996, Forty-second Legislature, Second Regular Session) established the Arizona Water Bank and amended A.R.S. § 48-3715.02 relating to the tax levy for water storage; and

WHEREAS, A.R.S. § 48-3715.02, subsection B, provides that the Board of Directors (the "Board") of the Central Arizona Water Conservation District (the "District") shall fix the amount to be raised by direct taxation pursuant to its provisions, which amount shall not exceed four cents per one hundred dollars of assessed valuation; and

WHEREAS, the Board by separate action has fixed the tax rate pursuant to A.R.S. § 48-3715.02, subsection B, for the 2014/2015 tax year at four cents per one hundred dollars of assessed valuation; and

WHEREAS, A.R.S. § 48-3715.03 further provides that the Board shall determine annually by resolution whether any or all of the tax levied pursuant to A.R.S. § 48-3715.02, subsections B and C, shall be applied to the repayment of the construction costs of the Central Arizona Project ("CAP" or the "Project") or to the annual operation, maintenance, and replacement costs of the Project; and

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in such

resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and

WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the Arizona Department of Water Resources;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Arizona Water Conservation District, as follows:

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2014/2015 tax year shall be applied to repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2014/2015 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and
3. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 5, 2014, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 5th DAY OF JUNE 2014.

By: _____
Lisa A. Atkins
Secretary