

# ***San Geronio Pass Water Agency***

**DATE:** August 9, 2021

**TO:** Board of Directors

**FROM:** Lance Eckhart, General Manager

**BY:** Tom Todd, Jr., Chief Financial Officer

**SUBJECT: SETTING TAX RATE FOR FY 2021-22 – RESOLUTION 2021-13**

## **RECOMMENDATION**

The Board approve Resolution 2021-13, setting the tax rate for FY 2021-22.

## **PREVIOUS CONSIDERATION**

- Finance & Engineering Workshop – July 16, 2021: The Board reviewed and discussed the proposed Debt Service Fund budget.
- Board of Directors – July 26, 2021: The Board reviewed and discussed the proposed Debt Service Fund budget.

## **BACKGROUND**

Each fiscal year, the Board must set the tax rate. The Board reviews the Debt Service Budget and then decides on a rate that will provide sufficient income to meet the Agency obligations for the State Water Project and related expenses. Then the rate must be communicated to the County of Riverside Office of the Auditor-Controller. This must be communicated by August 9, 2021, to comply with State requirements.

## **ANALYSIS**

The Board has adopted the Debt Service Budget for FY 2021-22 on July 26, 2021. The budget included a proposed tax rate, which is set at such an amount that enough revenue will be generated to meet the expense requirements of the State Water Project and related expenses.

## **FISCAL IMPACT**

The recently adopted Debt Service Budget proposes \$25,632,403 in expenditures. Information from HdL Associates and the newly acquired Raftelis financial model, combined with the Agency's historical data, suggests an increased assessed valuation of about 10%. If the tax rate is maintained at \$0.175 per \$100 of assessed value, the Agency could expect about \$22 million in tax revenue.

In addition to tax revenue, the Debt Service Budget income also includes bond cover refunds, planning costs towards Sites Reservoir from Beaumont-Cherry Valley Water District, and interest. The total Debt Service revenue for the 2021-22 fiscal year is expected to be just over \$26 million. The leftover amount will be added to reserves, which will be needed to pay for the significantly increased East Branch Extension bond payments in 2026, 2027, 2028, and 2029.

### **ACTION**

The Board approve Resolution 2021-13, setting the tax rate for FY 2021-22.

### **ATTACHMENTS**

Resolution 2021-13

## RESOLUTION NO. 2021-13

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY DETERMINING THE AMOUNT OF MONEY NEEDED TO MAKE ANNUAL PAYMENTS FOR THE INTEREST AND PRINCIPAL ON GENERAL OBLIGATION BONDS AND FOR OTHER INDEBTEDNESS APPROVED BY THE VOTERS PRIOR TO JULY 1, 1978, AND/OR FOR WHICH A TAX LEVY IS REQUIRED UNDER ARTICLE 1, SECTION 10 OF THE UNITED STATES CONSTITUTION AND MAKING A TAX LEVY THEREOF.**

**WHEREAS**, the Attorney General of the State of California has ruled in his opinion No. CV 78/90 that property taxes levied by local water districts necessary to provide for payments to the state under the state water supply contract fall within Section 1 (b) of Article XIII A of the California Constitution; now therefore,

**BE IT RESOLVED** by the Board of Directors of the San Gorgonio Pass Water Agency, as follows:

1. That said Board of Directors has determined that the amount of money needed to make annual payments during the fiscal year beginning July 1, 2021, and ending June 30, 2022, for the interest and principal on general obligation bonds and other indebtedness approved by the voters prior to July 1, 1978, and/or required by Article 1, Section 10 of the United States Constitution is **\$25,632,403** for payments on the Contract between the State of California Department of Water Resources and San Gorgonio Pass Water Agency for a water supply dated November 16, 1962, and hereby fixes the rate of tax which will raise the amount of money required by said Agency at the following amounts per hundred dollars of assessed valuation of taxable property within said Agency:

**\$ 0.1750 State Water Contract**

2. That the Board of Directors of the San Gorgonio Pass Water Agency does hereby certify the rate so fixed, and as herein before set forth, to the Board of Supervisors of the County of Riverside, State of California, and to the County Auditor of said County.

3. That pursuant to California Water Code - Appendix Section 101-27 the determination of the amount necessary to be raised by taxation for such purpose during the fiscal year and the order fixing the rate of tax made herein shall constitute a valid assessment of the property within the Agency and a valid levy of the taxes so fixed. Said levy is permitted by California Revenue and Taxation Code Section 93 and/or required by Article 1, Section 10 of the United States Constitution.

4. That a certified copy of this resolution be transmitted to the County Auditor of said County, and that when so transmitted, said certified copy shall constitute the certification required in Section 101-27 of the California Water Code - Appendix.

5. That funds received by the San Geronio Pass Water Agency pursuant to the aforesaid tax levy shall be placed in a separate fund identified for such indebtedness set forth above and shall be disbursed only for lawful payments on such indebtedness.

**Said Resolution was adopted by roll call vote as follows:**

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

**I certify that the foregoing is a true and correct copy of Resolution No. 2021-13, adopted by the Board of Directors of the San Geronio Pass Water Agency at its regular meeting held on July 26, 2021.**

---

**Stephen J. Lehtonen, President of the Board**

**RESOLUTION NO. 2021-13**

**STATE OF CALIFORNIA )**  
**)**  
**COUNTY OF RIVERSIDE )**

I, Lance E. Eckhart, the duly elected and acting Secretary of the Board of Directors of the San Geronio Pass Water Agency, hereby certify the foregoing to be a full and correct copy of Resolution No. 2021-13 adopted by the Board of Directors on July 26, 2021, at a duly held meeting at which a quorum was present.

I, Lance E. Eckhart, also hereby certify that a copy of this Resolution No. 2021-13 has been forwarded to the County Auditor/Controller's office for recording as of the date stated below and to the officer whose signature appears below.

\_\_\_\_\_  
Lance E. Eckhart  
Secretary to the Board

DATE: \_\_\_\_\_

Received by Fendy Kao via Email  
Officer – Supervising Accountant of  
the Riverside Property Tax Division

DATE: \_\_\_\_\_

# Setting Tax Rate for FY 2021-22 – Resolution 2021-13



Board of Directors – August 9, 2021

# General Fund

*Adopted June 21, 2021*

Administrative Overhead

Engineering/Science

Local Projects (e.g. Backbone Pipeline)

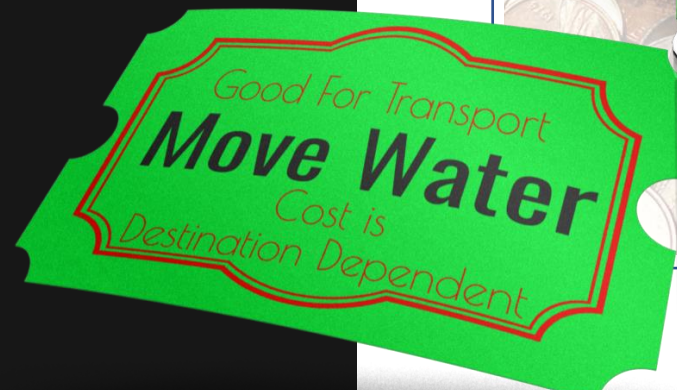
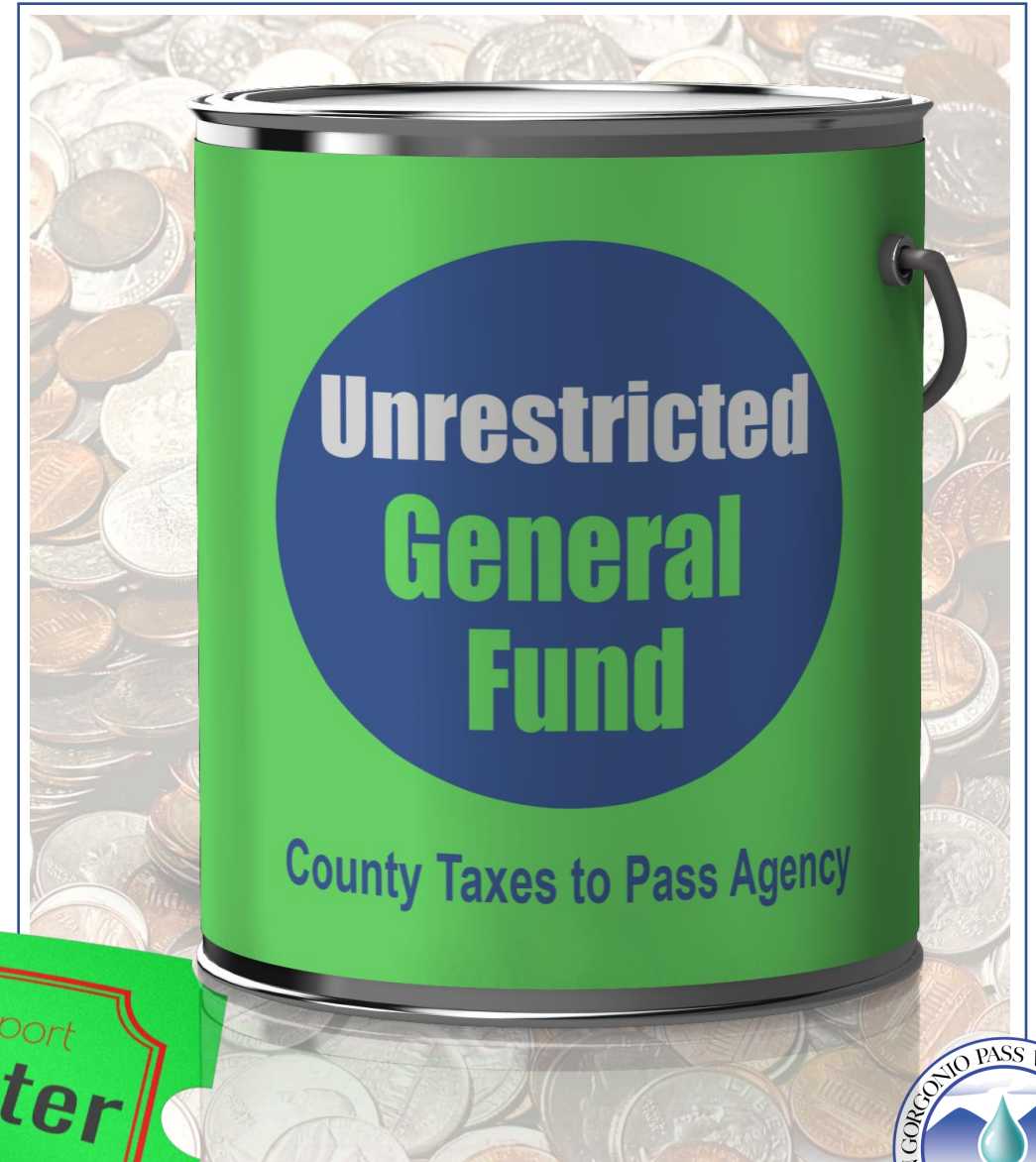
External Projects (e.g. Water Bank)

## Water Purchases

*Transport Cost*

*Non-Project Water*

*Power/Wheeling*





# Debt Service

*Adopted July 26, 2021*

Bond Payments

EBX 1 & 2

SWP Administrative Overhead

Project Water & Exchange Fixed Costs

SWP Projects & Repairs

Delta Tunnel

*Sites Reservoir... maybe*

*"Any SWP-Related Costs"*

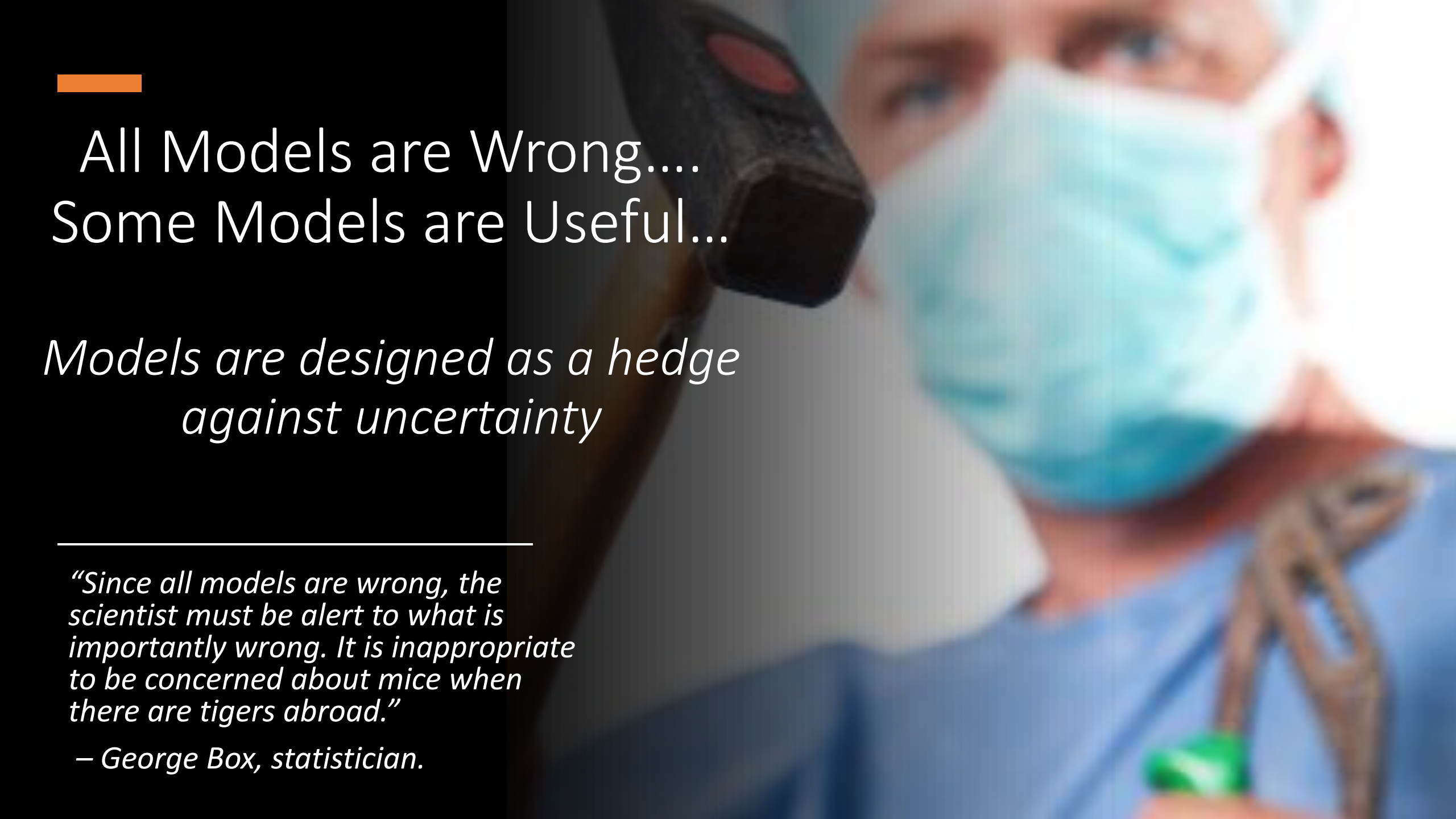






2020 Focused  
on  
Developing  
Financial  
Tools

- HDL Income Forecast
- Raftelis Model
- Reallocation of County Taxes
- PFM Asset Management
- Administrative Support for Staff



All Models are Wrong....  
Some Models are Useful...

*Models are designed as a hedge  
against uncertainty*

---

*“Since all models are wrong, the  
scientist must be alert to what is  
importantly wrong. It is inappropriate  
to be concerned about mice when  
there are tigers abroad.”*

*– George Box, statistician.*

# MEDIAN SALE PRICE HISTORY FOR SFRs

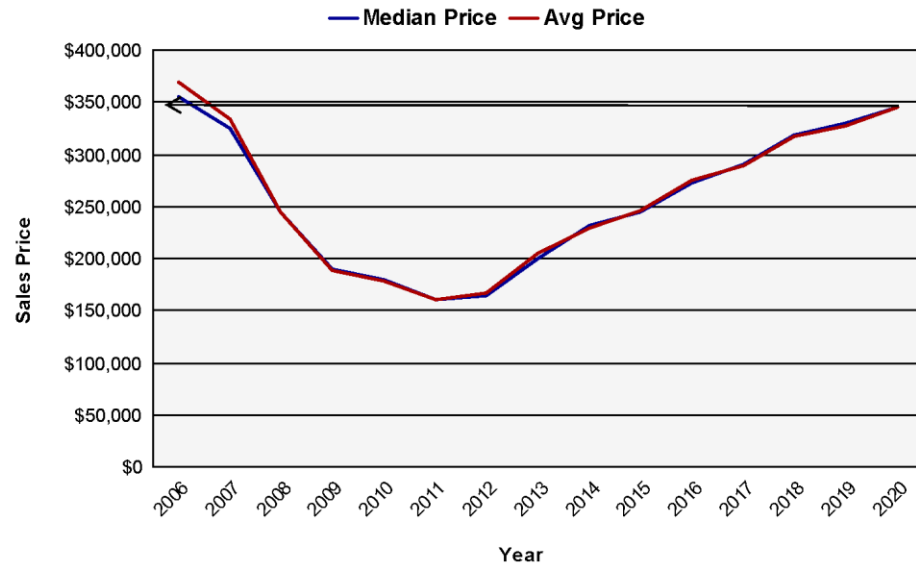


## SAN GORGONIO PASS WATER AGENCY

### SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2006 - 9/30/2020)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2006	1,585	\$369,855	\$355,000	
2007	775	\$334,275	\$325,000	-8.45%
2008	1,521	\$245,197	\$245,000	-24.62%
2009	1,384	\$188,421	\$189,750	-22.55%
2010	1,390	\$178,975	\$180,000	-5.14%
2011	1,358	\$160,161	\$160,000	-11.11%
2012	1,301	\$167,345	\$164,000	2.50%
2013	1,266	\$205,417	\$199,500	21.65%
2014	1,306	\$229,626	\$232,000	16.29%
2015	1,353	\$245,960	\$245,000	5.60%
2016	1,564	\$274,584	\$272,000	11.02%
2017	1,689	\$288,773	\$290,000	6.62%
2018	1,941	\$317,501	\$319,000	10.00%
2019	1,991	\$327,669	\$330,000	3.45%
2020	1,397	\$345,192	\$345,000	4.55%



2006 to 2020

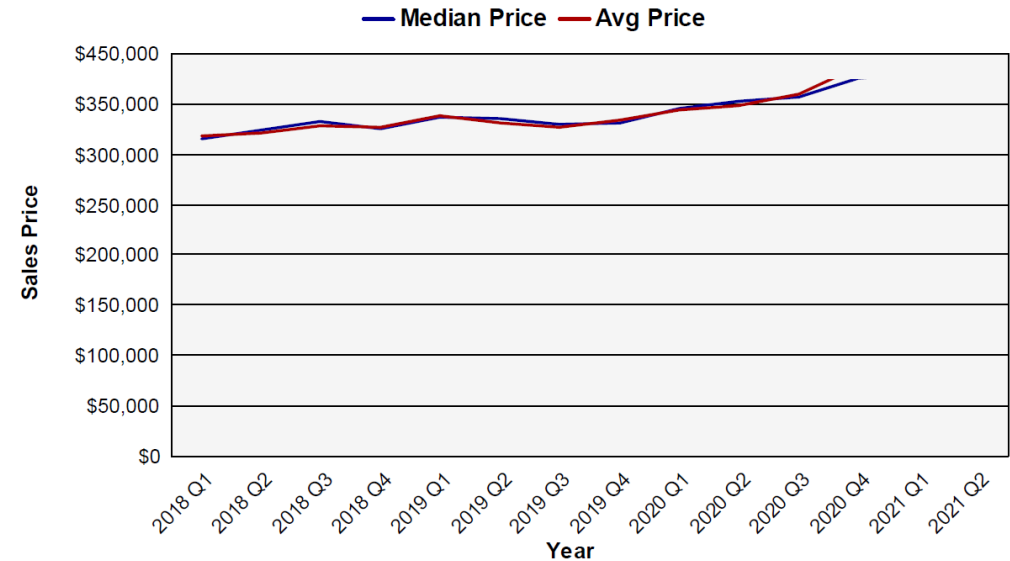


## SAN GORGONIO PASS WATER

### SALES VALUE HISTORY

Detached Single Family Residential Full Value Sales (01/01/2018 - 6/30/2021)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2018 Q1	452	\$317,746	\$316,000	
2018 Q2	546	\$320,984	\$324,000	2.53%
2018 Q3	486	\$328,607	\$333,000	2.78%
2018 Q4	345	\$326,710	\$325,000	-2.40%
2019 Q1	433	\$338,047	\$337,000	3.69%
2019 Q2	558	\$331,727	\$335,000	-0.59%
2019 Q3	491	\$326,992	\$330,000	-1.49%
2019 Q4	413	\$333,263	\$331,000	0.30%
2020 Q1	476	\$343,261	\$345,000	4.23%
2020 Q2	373	\$347,681	\$352,500	2.17%
2020 Q3	526	\$360,108	\$357,000	1.28%
2020 Q4	581	\$386,288	\$376,000	5.32%
2021 Q1	410	\$381,570	\$380,000	1.06%
2021 Q2	483	\$418,927	\$420,000	10.53%

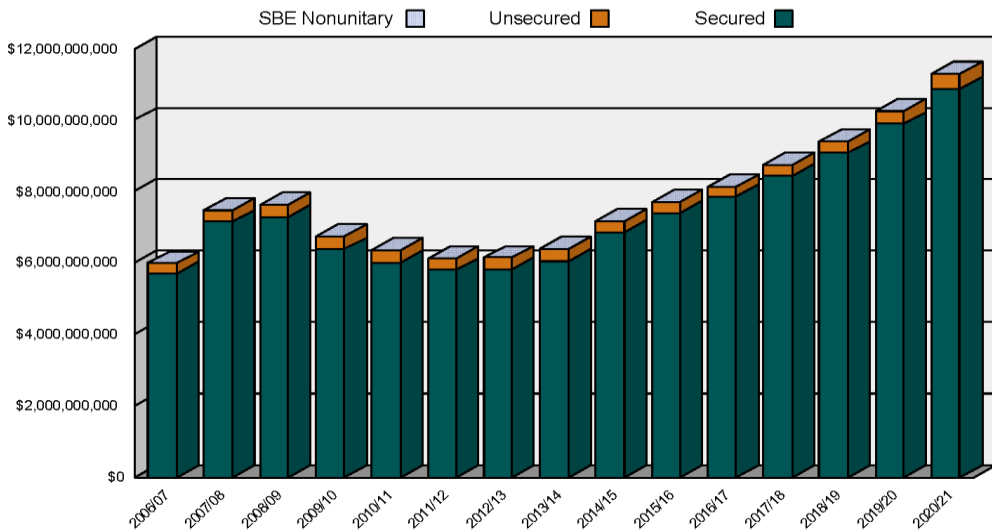


Q1 2018 to Q2 2021

# SAN GORGONIO PASS WATER NET TAXABLE ASSESSED VALUE HISTORY

2006/07 - 2020/21 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change*
2006/07	\$5,685,495,116	\$297,605,783	\$2,857,269	5,985,958,168	
2007/08	\$7,142,258,845	\$341,858,866	\$1,156,432	7,485,274,143	25.05%
2008/09	\$7,282,090,320	\$358,026,203	\$1,156,432	7,641,272,955	2.08%
2009/10	\$6,372,220,614	\$368,088,432	\$1,156,432	6,741,465,478	-11.78%
2010/11	\$5,992,731,924	\$371,162,463	\$1,156,432	6,365,050,819	-5.58%
2011/12	\$5,793,719,198	\$335,826,661	\$559,656	6,130,105,515	-3.69%
2012/13	\$5,826,526,977	\$310,770,360	\$230,116	6,137,527,453	0.12%
2013/14	\$6,055,873,711	\$322,333,936	\$230,116	6,378,437,763	3.93%
2014/15	\$6,841,166,292	\$308,560,252	\$230,116	7,149,956,660	12.10%
2015/16	\$7,390,366,418	\$297,899,502	\$230,116	7,688,496,036	7.53%
2016/17	\$7,843,319,216	\$286,466,987	\$230,116	8,130,016,319	5.74%
2017/18	\$8,435,701,209	\$294,201,725	\$230,116	8,730,133,050	7.38%
2018/19	\$9,075,143,559	\$322,302,022	\$270,876	9,397,716,457	7.65%
2019/20	\$9,884,534,782	\$356,279,488	\$270,876	10,241,085,146	8.97%
2020/21	\$10,869,477,539	\$426,853,179	\$270,876	11,296,601,594	10.31%
Average % Change					5.72%




## RIVERSIDE COUNTY CITY GROWTH COMPARISON

2019/20 To 2020/21 Net Taxable Assessed Value Change

City	2020/21 Net Value	Value Change	% Change
Calimesa	1,119,904,505	148,728,045	15.314%
Beaumont	6,021,645,618	752,348,266	14.278%
San Gorgonio Pass Water	11,296,601,594	1,055,516,448	10.307%
Perris	7,566,897,345	672,653,188	9.757%
Desert Hot Springs	2,079,083,259	176,220,681	9.261%
Menifee	11,270,984,052	881,153,421	8.481%
Jurupa Valley	11,445,231,831	874,264,791	8.270%
Moreno Valley	18,340,871,841	1,229,747,698	7.187%
San Jacinto	3,475,635,009	207,225,857	6.340%
Coachella	2,111,080,288	125,406,253	6.316%
Cathedral City	5,062,361,987	277,989,245	5.810%
Riverside	33,566,061,047	1,823,706,574	5.745%
Corona	23,083,632,875	1,222,249,916	5.591%
Lake Elsinore	6,968,081,249	368,120,726	5.578%
Palm Springs	14,488,744,655	721,944,609	5.244%
Norco	3,703,826,129	178,031,700	5.049%
Eastvale	10,896,904,569	512,808,114	4.938%
Indio	9,256,704,137	434,295,628	4.923%
Murrieta	14,696,634,678	671,927,780	4.791%
Hemet	6,462,022,172	289,161,299	4.684%
Wildomar	3,744,326,340	161,412,057	4.505%
Temecula	17,486,025,623	733,843,878	4.381%
Banning	2,440,928,652	99,333,620	4.242%
Canyon Lake	1,943,962,174	75,237,505	4.026%
Palm Desert	16,217,619,993	581,036,149	3.716%
Rancho Mirage	9,294,534,105	320,265,103	3.569%
Indian Wells	6,360,984,421	212,829,435	3.462%
La Quinta	14,412,041,752	396,624,120	2.830%
Blythe	912,062,330	-2,251,312	-0.246%

**City Average % Change: 6.1%**

**City Median % Change: 5.2%**



Known Knowns  
vs.  
Unknown Unknowns

---

“... as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don’t know we don’t know.”

*Donald Rumsfeld – U.S. Defense Secretary to DoD;  
February 12, 2002*



# Rumsfeld Matrix

## Known knowns (aware & understand)

- This years taxes
- 2020-21 Budget
- Reserve Minimums
- Balloon Payments
- Rough DCP/Sites Costs
- HDL Tax Estimates 5 Years Maximum

## Known Unknowns (aware & don't fully understand)

- Aging Infrastructure
- Increasing SWP costs
- Precise DCP/Sites Costs
- Long Term Transfer Costs (other people's Table A)

## Unknown knowns (aren't aware & understand)

- Subsidence
- Delta Outage (e.g. earthquake in Delta)
- Climate Change and Effects on Supply
- SWP Cost Compression (Statement of Charges)

## Unknown Unknowns (aren't aware & don't understand)

- Recession
- Force Majeure
- Major Disaster
  - Earthquake
  - Delta Levee Failure
  - Other?

Known

Things we are aware of and understand

Things we are aware of but don't understand

Unknown

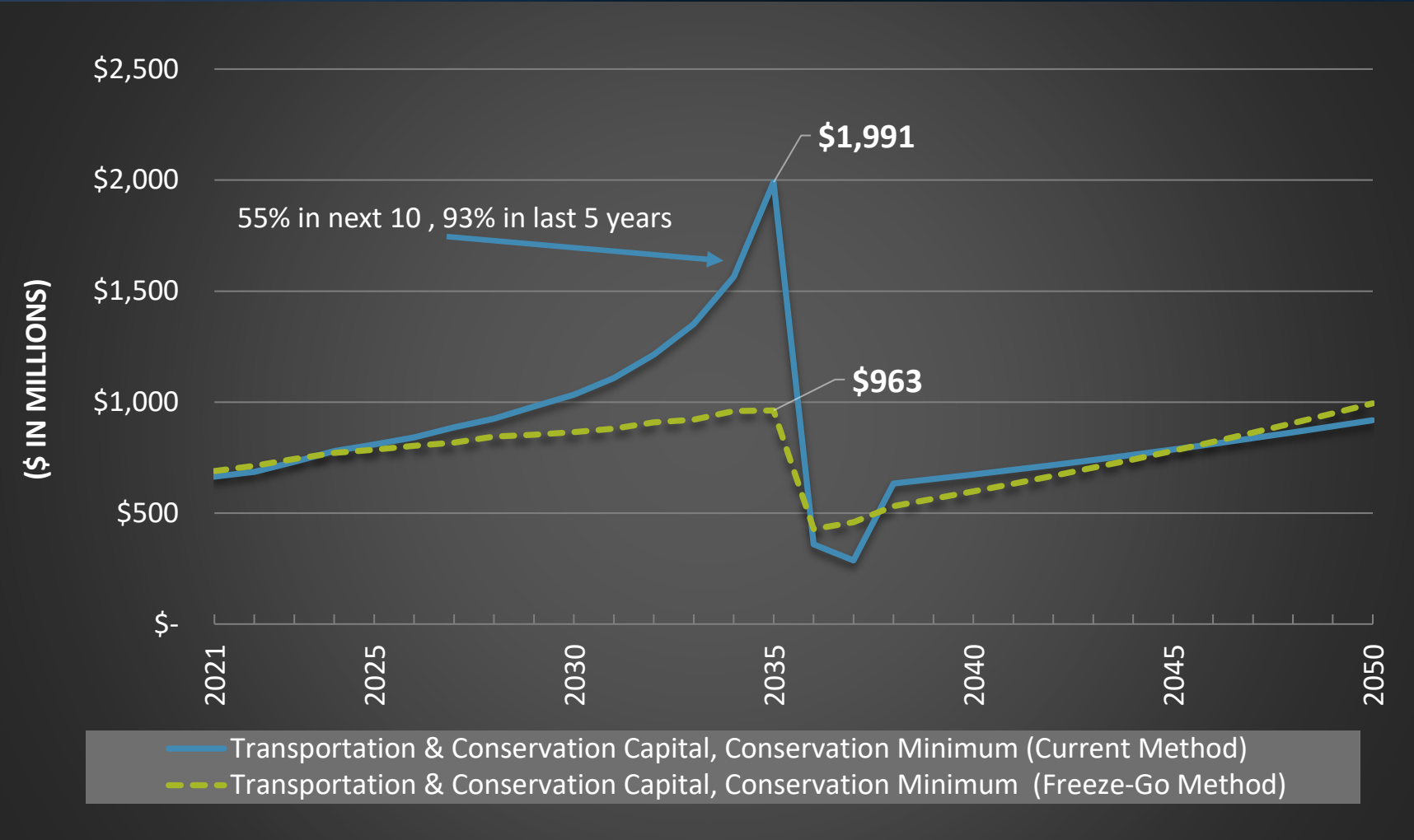
Things we understand but are not aware of

Things we are neither aware of nor understand

Knowns

Unknowns

# Cost compression vs. "smoothing" DWR Statement of Charges (DWR bill)



# Rumsfeld Matrix

## Known knowns (aware & understand)

- This years taxes
- 2020-21 Budget
- Reserve Minimums
- Balloon Payments
- Rough DCP/Sites Costs
- HDL Tax Estimates 5 Years Maximum

## Known Unknowns (aware & don't fully understand)

- Aging Infrastructure
- Increasing SWP costs
- Precise DCP/Sites Costs
- Long Term Transfer Costs (other people's Table A)

## Unknown knowns (aren't aware & understand)

- Subsidence
- Delta Outage (e.g. earthquake in Delta)
- Climate Change and Effects on Supply
- SWP Cost Compression (Statement of Charges)

## Unknown Unknowns (aren't aware & don't understand)

- Recession
- Force Majeure
- Major Disaster
  - Earthquake
  - Delta Levee Failure
  - Other?

Known

Things we are aware of and understand

Things we are aware of but don't understand

Unknown

Things we understand but are not aware of

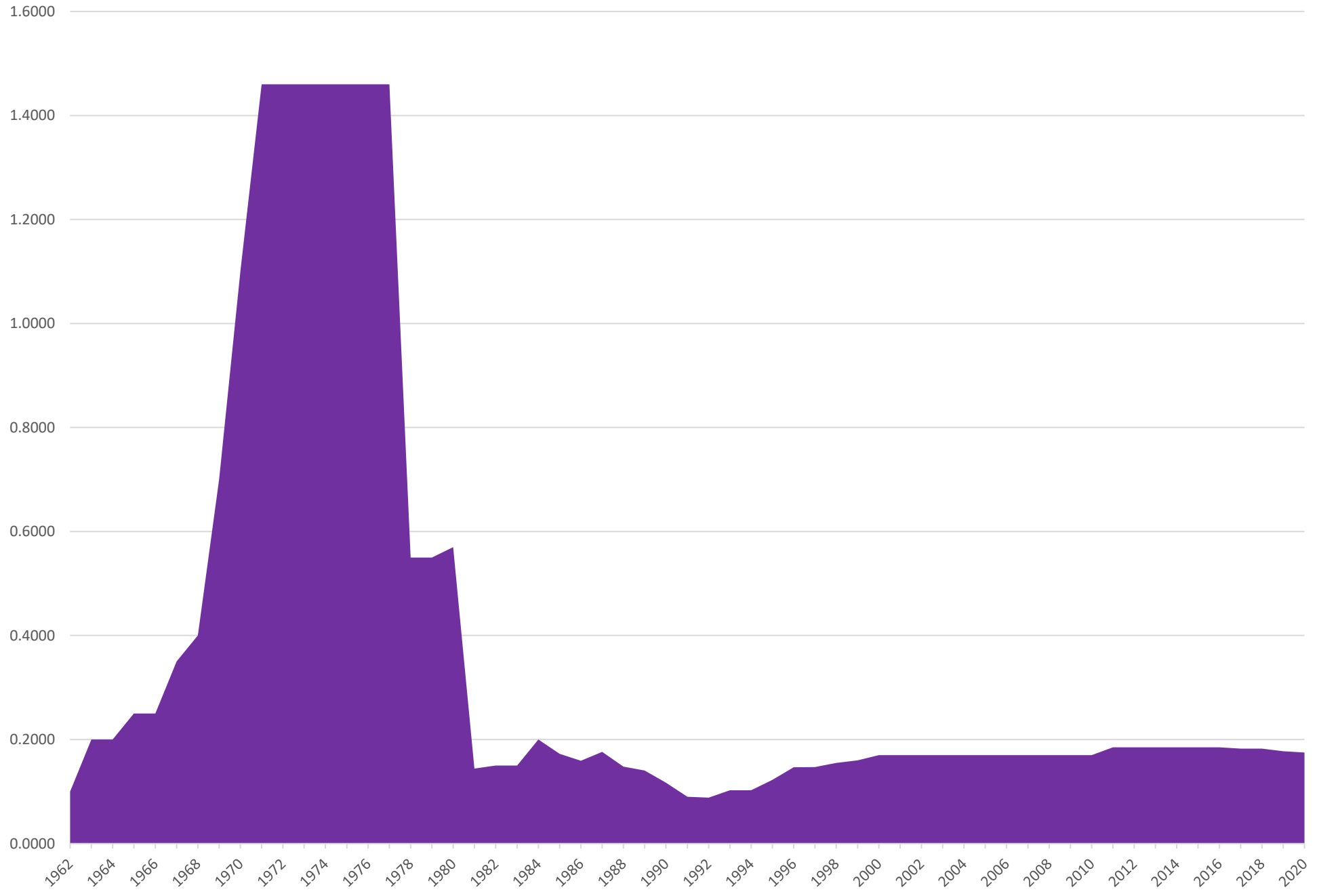
Things we are neither aware of nor understand

Knowns

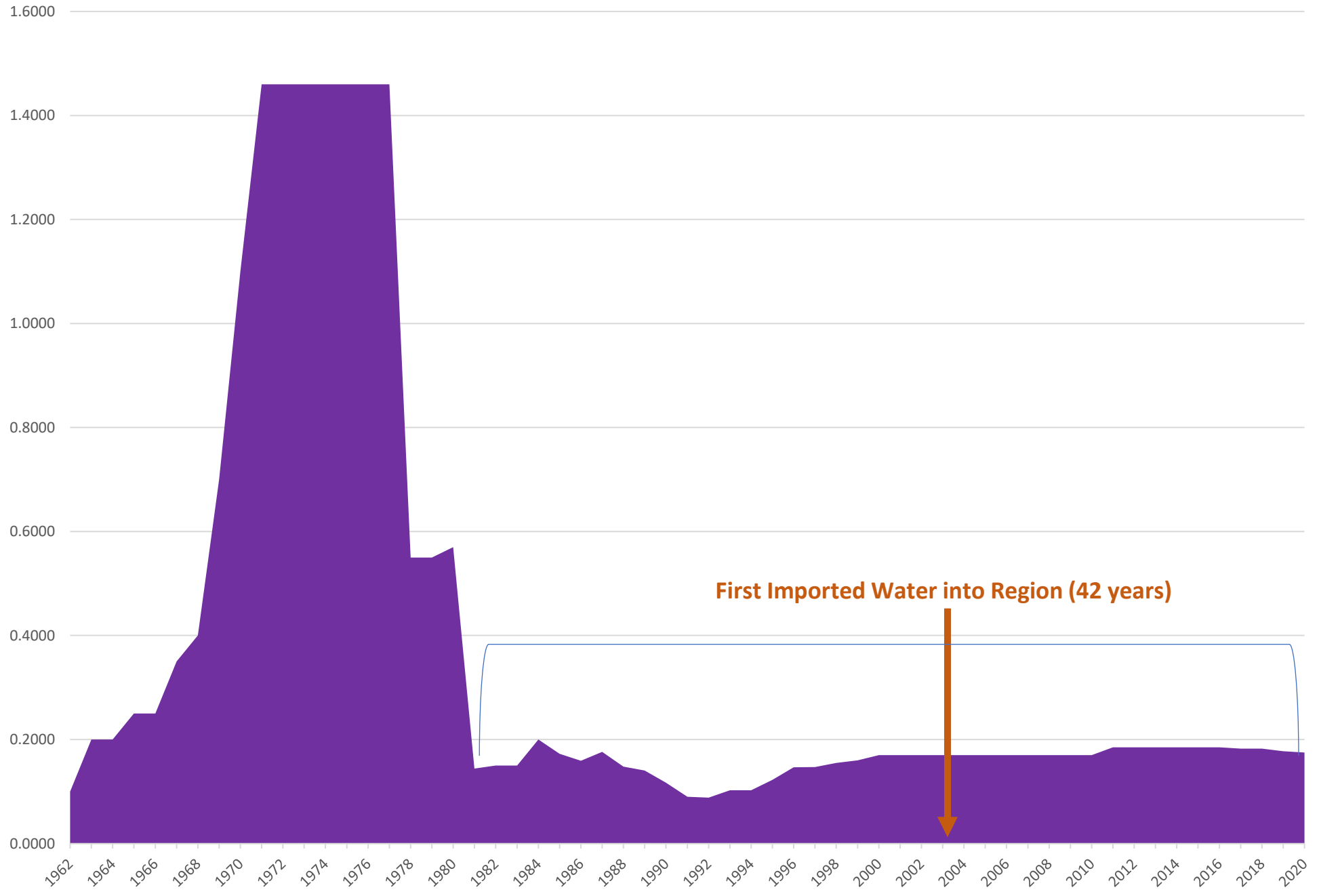
Unknowns



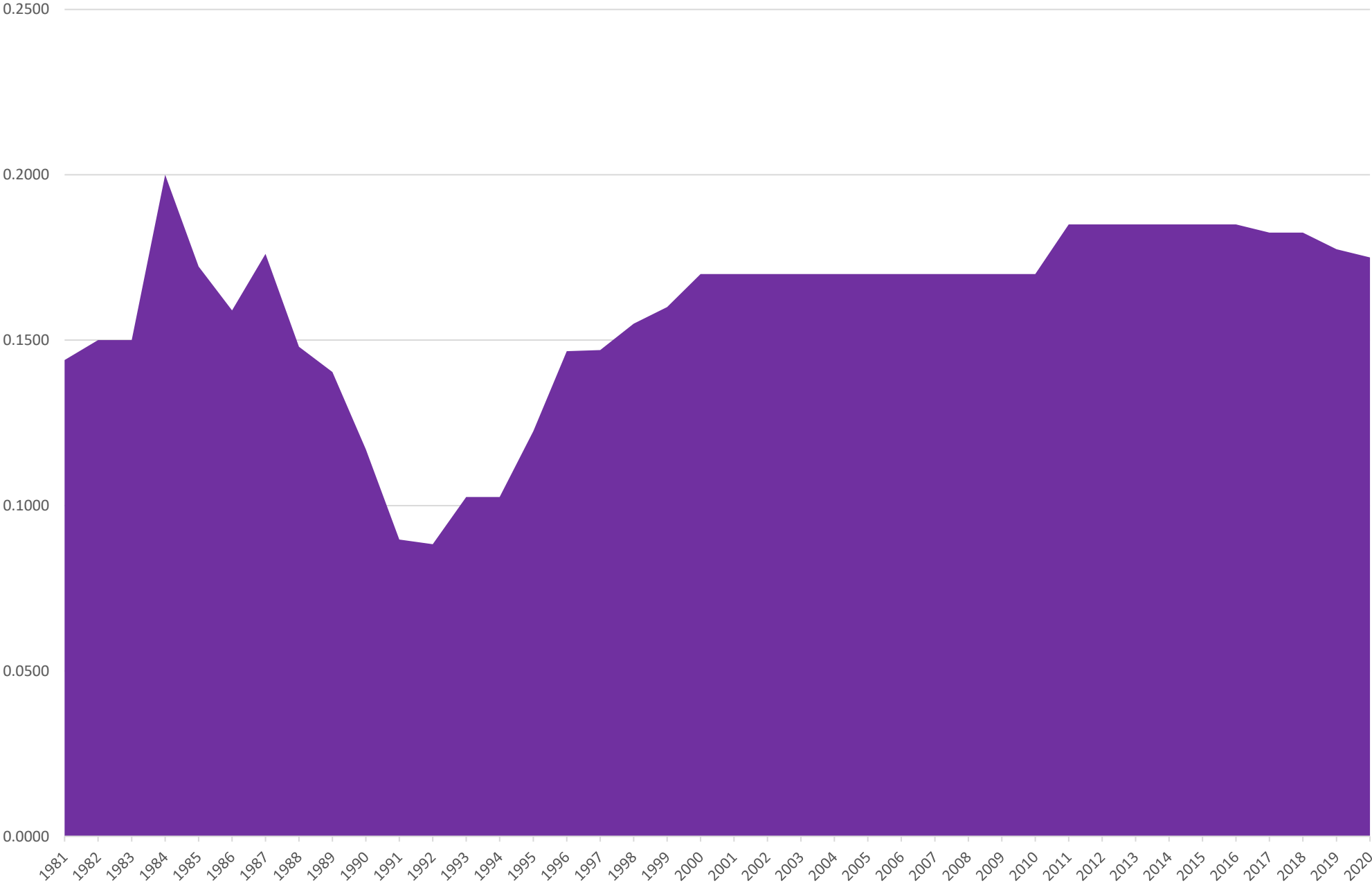
Tax Rate (per \$100 Assessed Value)



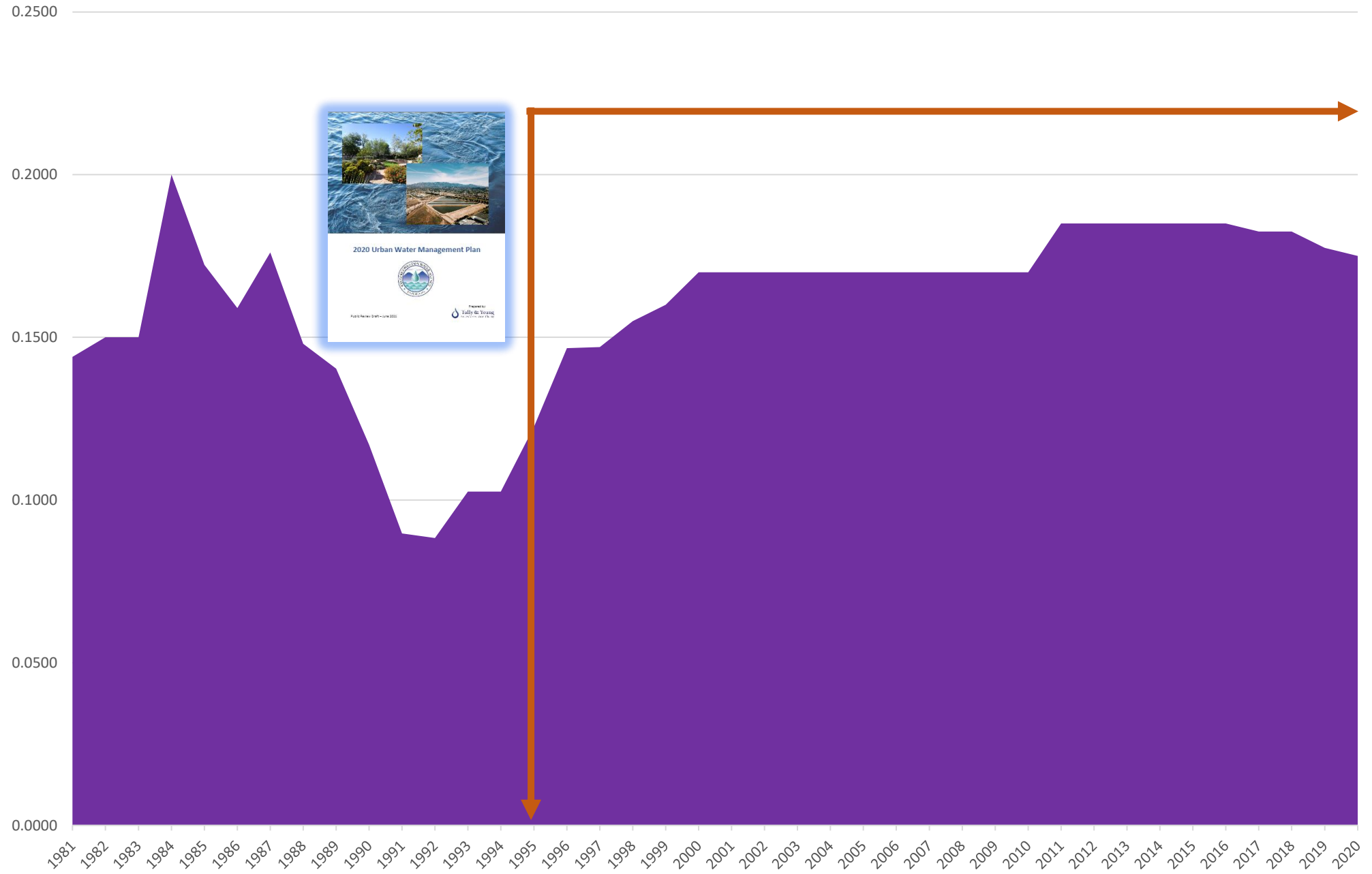
Tax Rate (per \$100 Assessed Value)



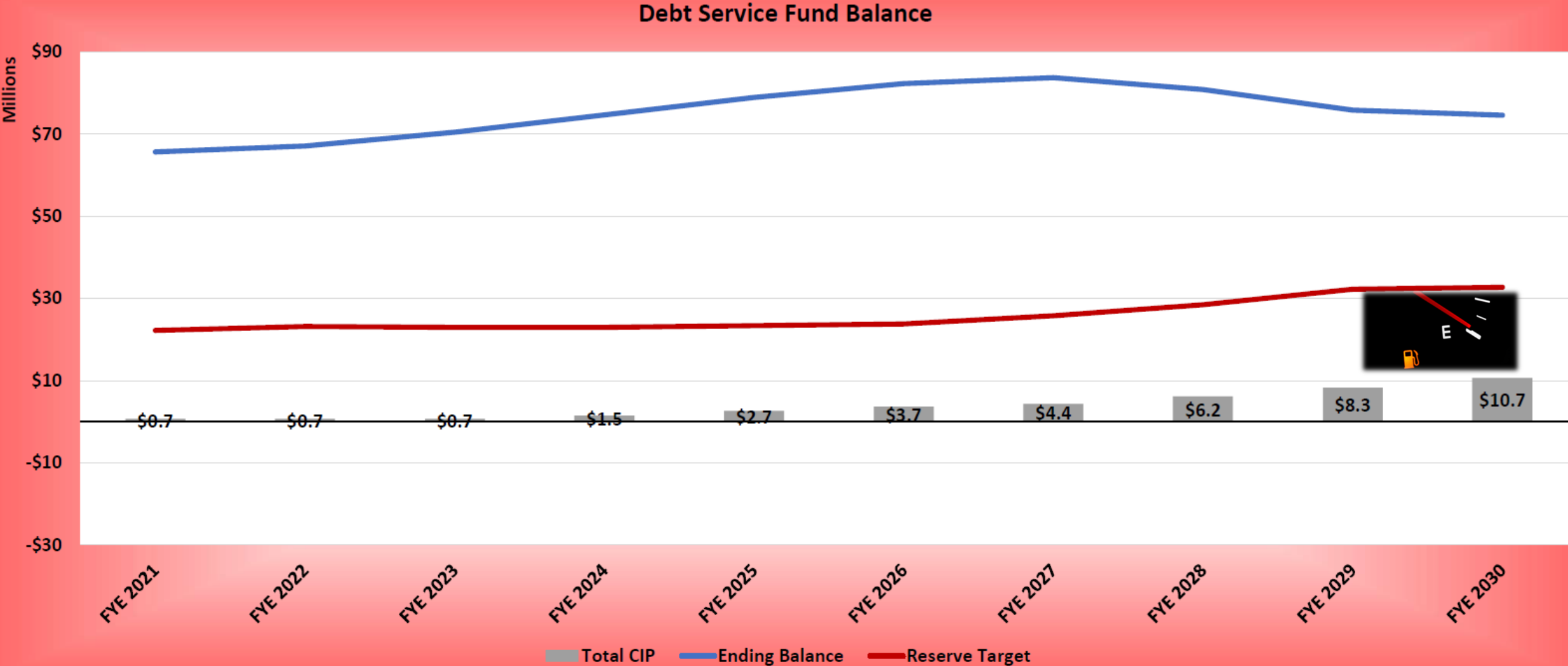
Tax Rate (per \$100 Assessed Value)



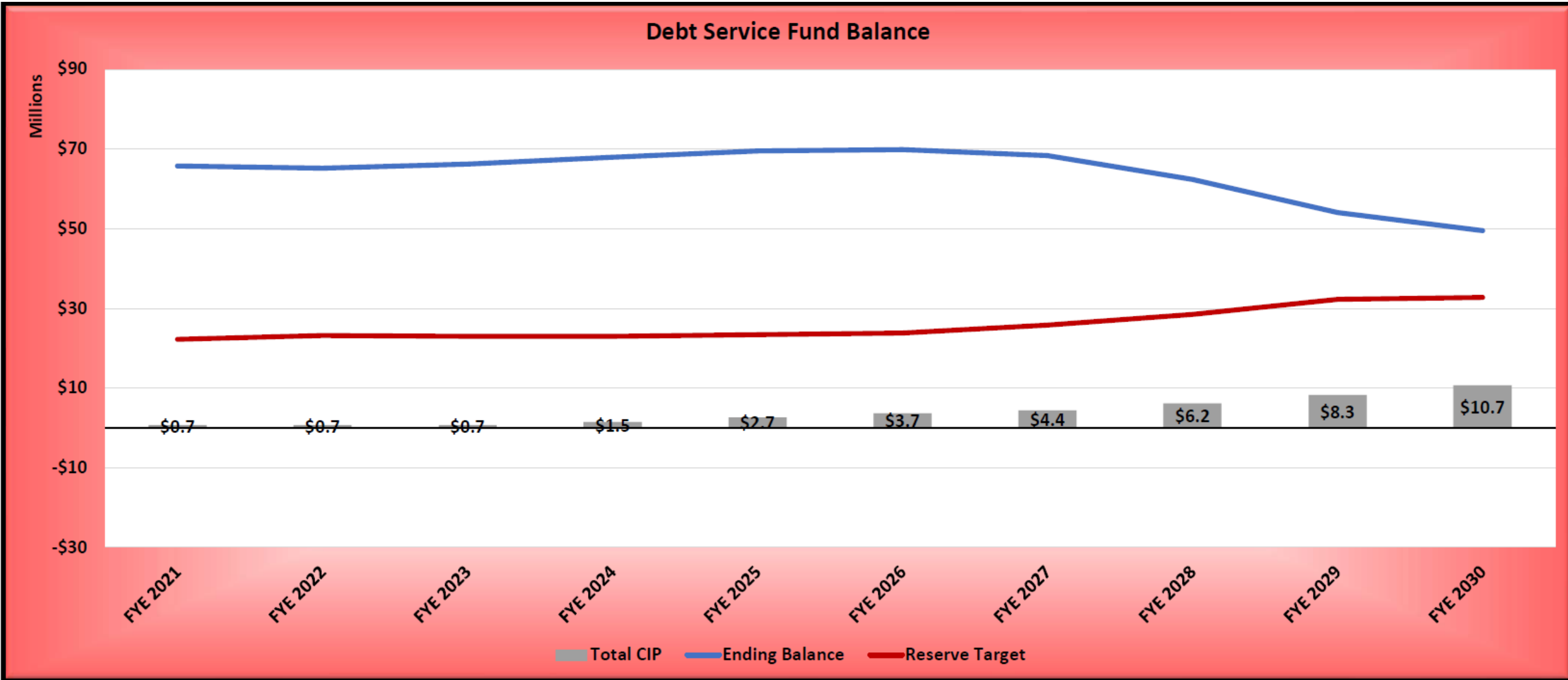
# Tax Rate (per \$100 Assessed Value)



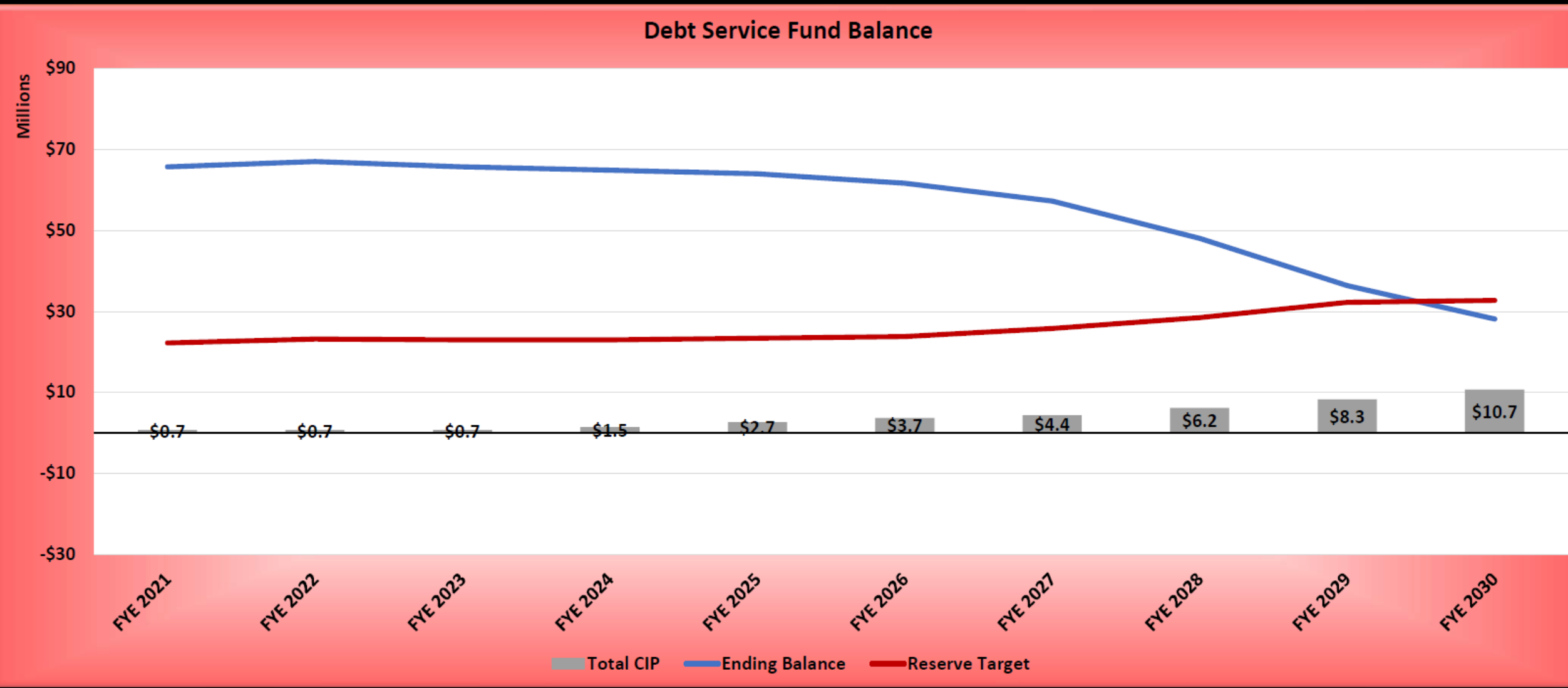
# Current Rate @ \$0.175/\$100 Assessed Value



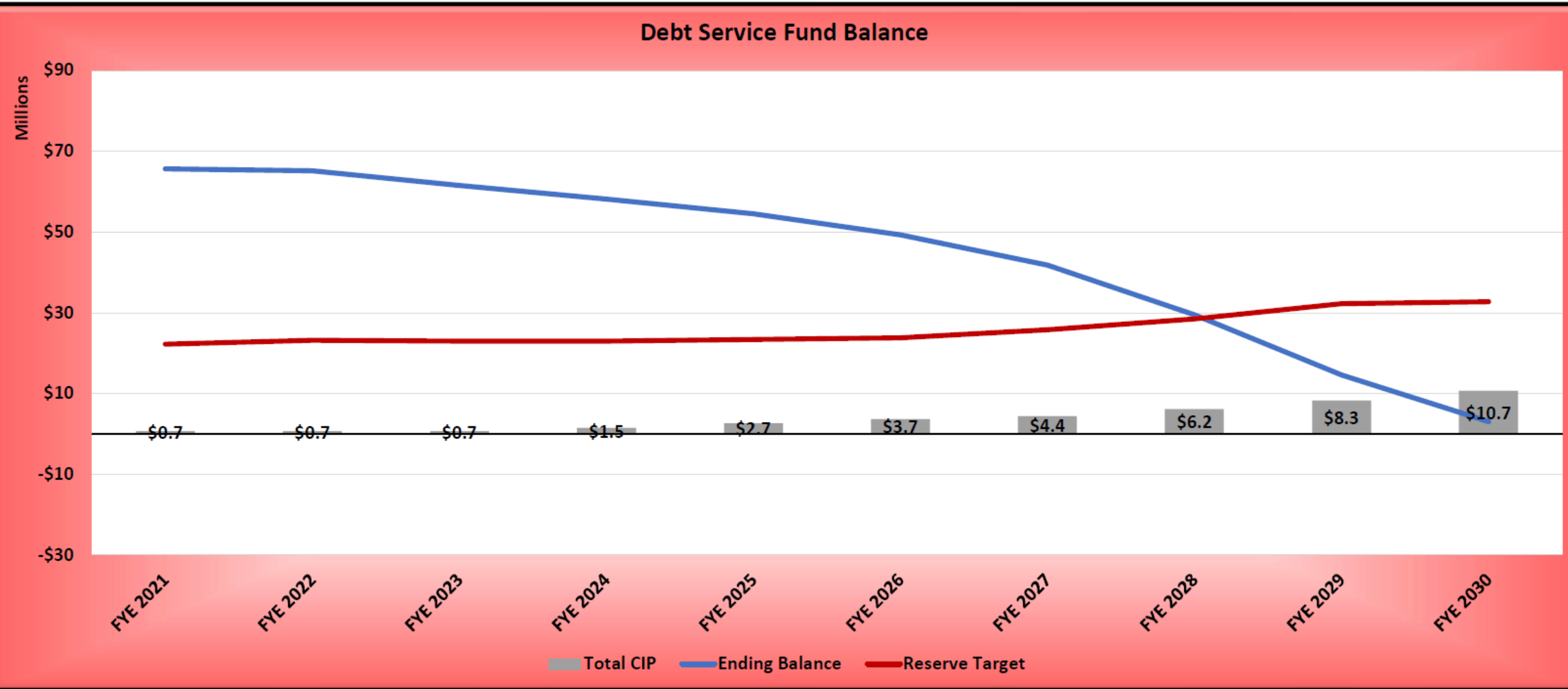
# Current Rate @ \$0.16/\$100 Assessed Value



# Current Rate @ \$0.175/\$100 Assessed Value with Table A Transfers



# Current Rate @ \$0.16/\$100 Assessed Value with Table A Transfers





# Formula:

$$\frac{\text{Assessed Value}}{\$100} \times \text{rate} = \text{tax payment per year.}$$

## Example:

Median House Value during first two quarters of 2021 in Pass area: ~\$400,000

**Tax rate: 17.50 cents**

$$\frac{\$400,000}{\$100} \times 17.50 \text{ cents} = \$700 \text{ annually}$$

**Tax rate: 17.25 cents**

$$\frac{\$400,000}{\$100} \times 17.25 \text{ cents} = \$690 \text{ annually}$$

**Tax rate: 17.00 cents**

$$\frac{\$400,000}{\$100} \times 17.00 \text{ cents} = \$680 \text{ annually}$$

Δ \$10

# Rates and Perspective

**\$0.175** vs. **\$0.1725**

The difference from the current rate amounts to less than \$1.00 per month. You would be able to buy one tall (12 oz.) cup of freshly brewed coffee at Starbucks (\$1.95) every other month.



The difference in median home values from Q1 2018 to Q2 2021 was \$104,000. This is a net worth increase of ~\$2,700 per month. You would be able to buy ~1,400 tall (12 oz.) cups of freshly brewed coffee at Starbucks (\$1.95) every month.



# Staff Recommendation

Board approve Resolution 2021-13,  
maintaining the present tax rate for  
Fiscal Year 2021-22

