

Setting Tax Rate for FY 2023-24 – Resolution 2023-12



Board of Directors – July 17, 2023

Review of Funds

“The Bucket List”

Other Funds

Unrestricted
Unitary Tax

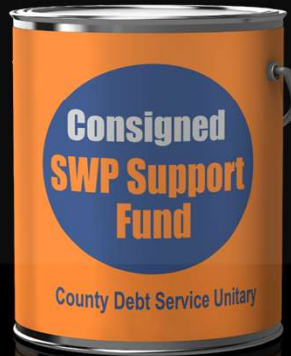
Debt Service

SGPWA Special Tax

We Control Income
We DON'T Control Income
We DON'T Control Income



~14.8M



~10.6M



~68.1M



General Fund

Adopted June 12, 2023

Administrative Overhead

Engineering/Science

Local Projects (e.g. Backbone Pipeline)

External Projects (e.g. Water Bank)

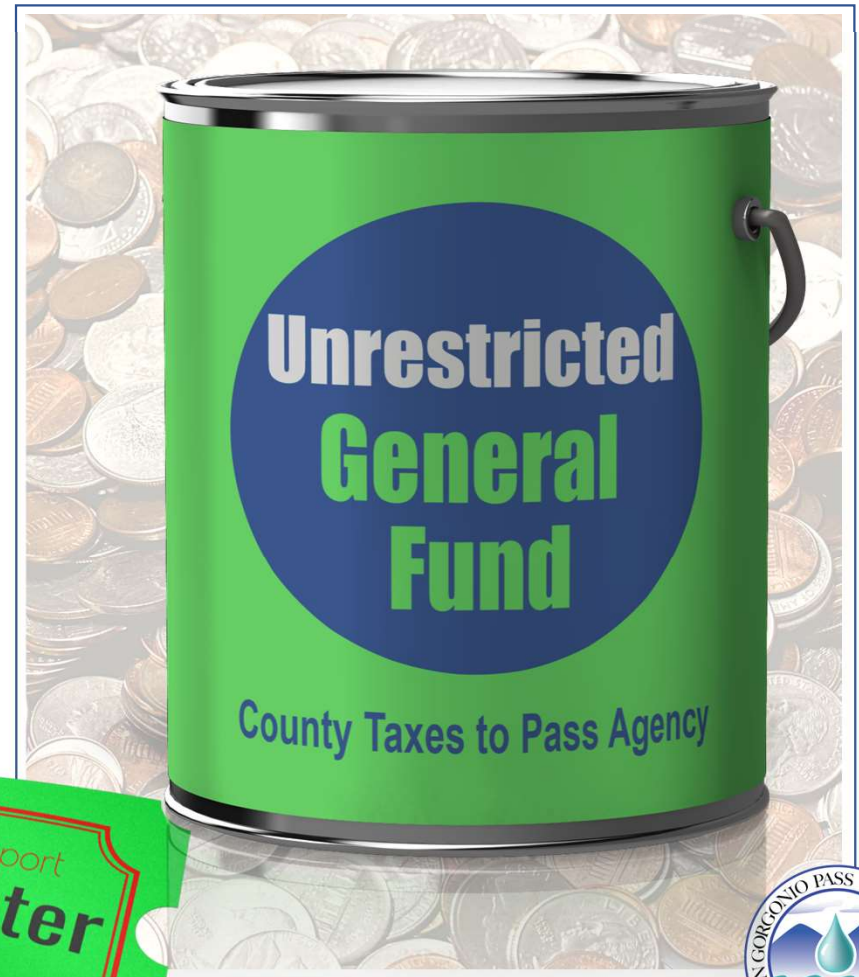
Nickel Water

Water Purchases

Transport Cost

Non-Project Water

Power/Wheeling

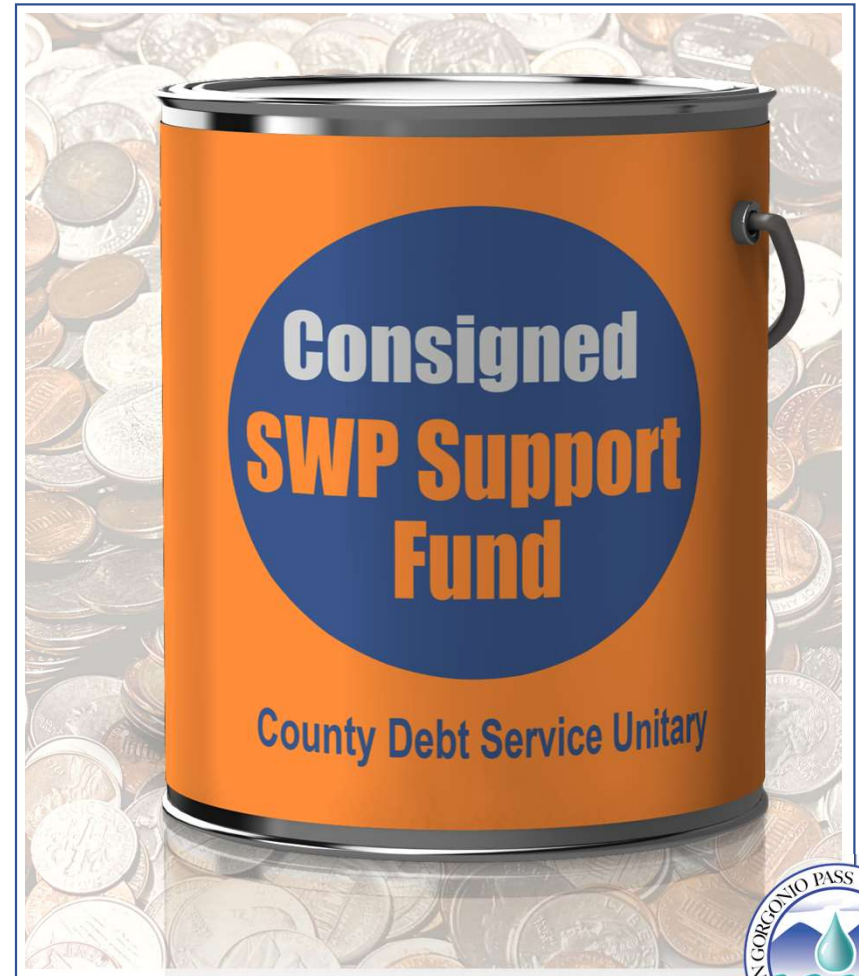


Consigned Fund

Adopted June 12, 2023

Same as the General Fund with some potential restrictions.

At the discretion of the Board





Debt Service

*Adopted July 25, 2022**

Bond Payments

EBX 1 & 2

SWP Administrative Overhead

Project Water & Exchange Fixed Costs

SWP Projects & Repairs

Delta Tunnel

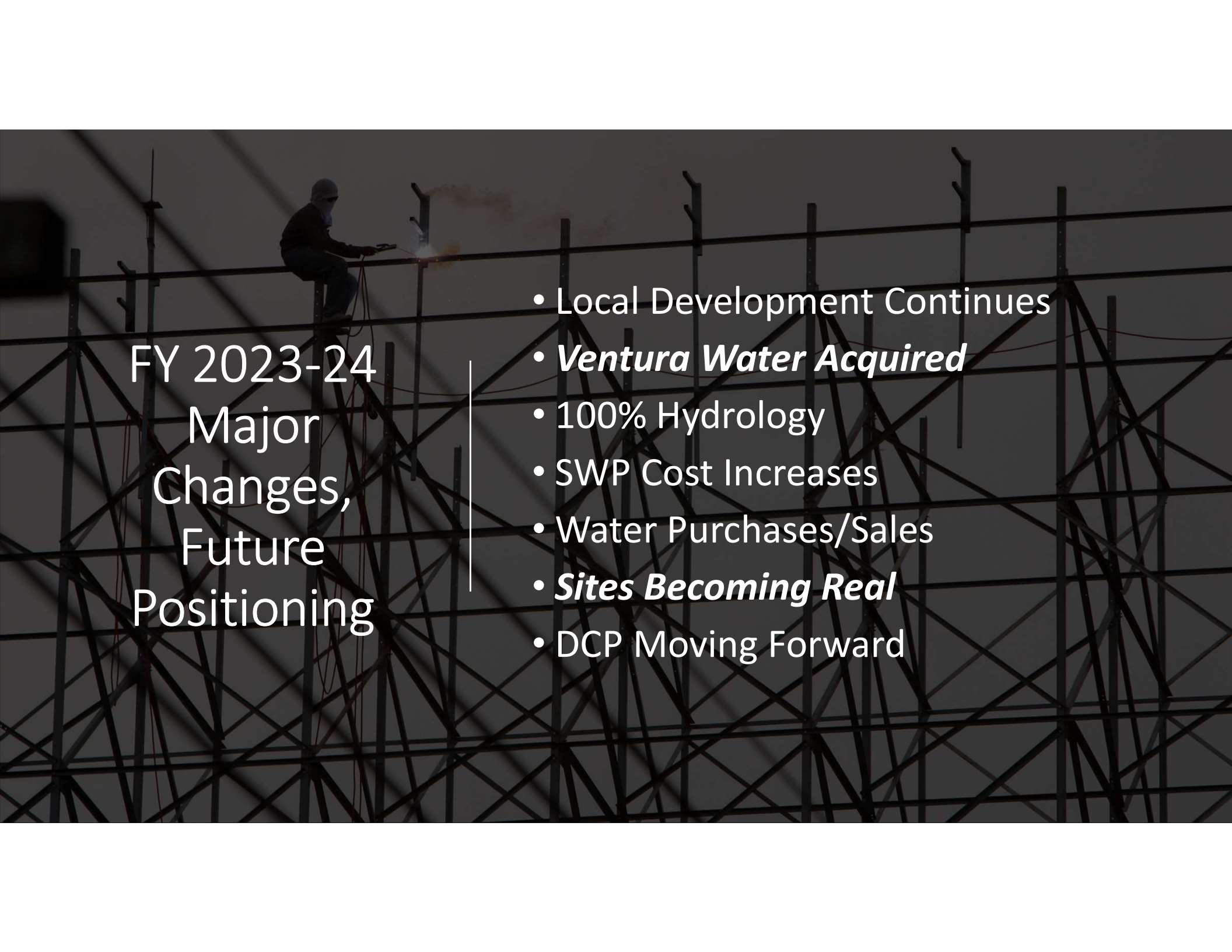
Ventura Water

EBX Balloon Payments

Sites Reservoir... maybe

“Any SWP-Related Costs”





FY 2023-24
Major
Changes,
Future
Positioning

- Local Development Continues
- ***Ventura Water Acquired***
- 100% Hydrology
- SWP Cost Increases
- Water Purchases/Sales
- ***Sites Becoming Real***
- DCP Moving Forward



—

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.

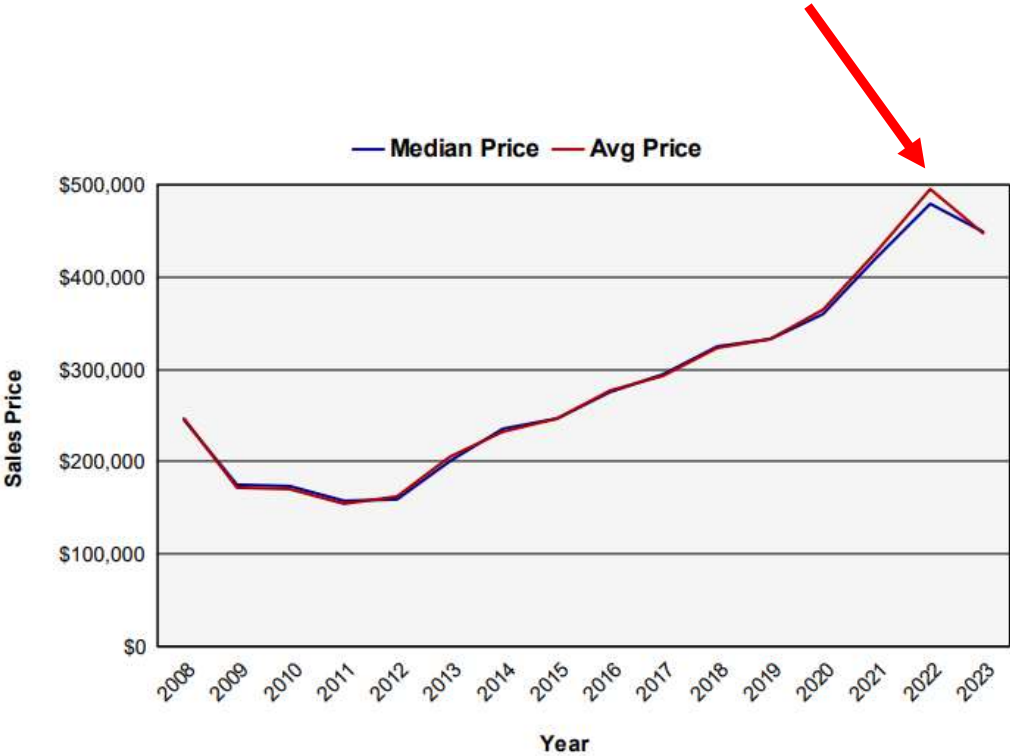
MEDIAN SALE PRICE HISTORY FOR SFRs



SAN GORGONIO PASS WATER SALES VALUE HISTORY

Detached Single Family Residential Full Value Sales 01/01/2008 - 02/28/2023)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2008	1,489	\$246,190	\$245,000	
2009	1,567	\$171,597	\$175,000	-28.57%
2010	1,501	\$169,648	\$174,000	-0.57%
2011	1,462	\$153,826	\$157,000	-9.77%
2012	1,358	\$163,048	\$160,000	1.91%
2013	1,263	\$204,959	\$200,000	25.00%
2014	1,280	\$231,987	\$235,000	17.50%
2015	1,317	\$247,345	\$247,000	5.11%
2016	1,514	\$276,680	\$275,000	11.34%
2017	1,582	\$293,728	\$295,000	7.27%
2018	1,829	\$323,289	\$325,000	10.17%
2019	1,894	\$332,164	\$333,000	2.46%
2020	2,018	\$364,043	\$360,000	8.11%
2021	2,568	\$427,184	\$420,000	16.67%
2022	2,053	\$495,971	\$480,000	14.29%
2023	163	\$448,194	\$449,000	-6.46%



*First decline in home values in 12 years

2007 to 2023*
(partial year)



RIVERSIDE COUNTY CITY GROWTH COMPARISON

2020/21 To 2021/22 Net Taxable Assessed Value Change

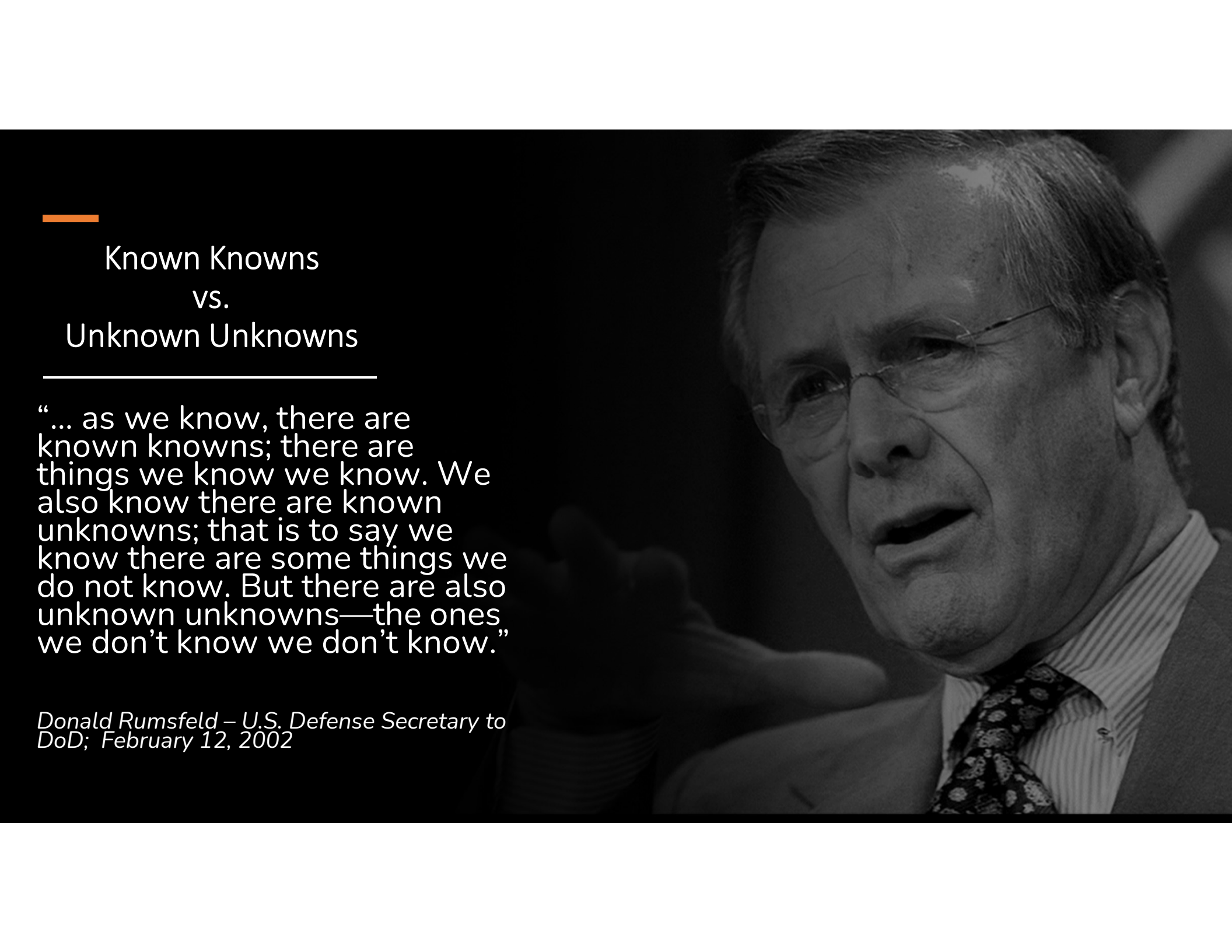
City	2021/22 Net Value	Value Change	% Change
Calimesa	1,289,363,130	169,458,625	15.132%
Beaumont	6,581,880,325	560,234,707	9.304%
Menifee	12,303,687,819	1,032,703,767	9.162%
Perris	8,246,837,439	679,940,094	8.986%
San Geronio Pass Water	12,233,564,984	936,963,390	8.294%
Desert Hot Springs	2,239,151,010	160,067,751	7.699%
Palm Springs	15,576,723,547	1,087,978,892	7.509%
Lake Elsinore	7,400,285,932	432,204,683	6.203%
San Jacinto	3,681,132,126	205,497,117	5.913%
Norco	3,915,563,980	211,737,851	5.717%
Cathedral City	5,348,739,839	286,377,852	5.657%
Wildomar	3,945,725,181	201,398,841	5.379%
Coachella	2,223,098,851	112,018,563	5.306%
La Quinta	15,173,511,719	761,469,967	5.284%
Indio	9,741,010,122	484,305,985	5.232%
Banning	2,566,477,055	125,548,403	5.143%
Riverside	35,266,209,420	1,700,148,373	5.065%
Rancho Mirage	9,753,966,710	459,432,605	4.943%
Canyon Lake	2,039,717,212	95,755,038	4.926%
Eastvale	11,418,959,422	522,054,853	4.791%
Moreno Valley	19,207,923,868	867,052,027	4.727%
Murrieta	15,383,718,072	687,083,394	4.675%
Hemet	6,755,750,832	293,728,660	4.545%
Temecula	18,274,253,696	788,228,073	4.508%
Corona	24,043,560,872	959,927,997	4.158%
Indian Wells	6,598,669,698	237,685,277	3.737%
Blythe	945,076,178	33,013,848	3.620%
Palm Desert	16,768,080,495	550,460,502	3.394%
Jurupa Valley	11,829,461,028	384,229,197	3.357%
City Average % Change: 5.9%		City Median % Change: 5.2%	



RIVERSIDE COUNTY CITY GROWTH COMPARISON

2021/22 To 2022/23 Net Taxable Assessed Value Change

City	2022/23 Net Value	Value Change	% Change
Banning	2,995,209,678	428,732,623	16.705%
Perris	9,590,358,429	1,343,520,990	16.291%
Desert Hot Springs	2,564,453,056	325,302,046	14.528%
Menifee	14,037,896,253	1,734,208,434	14.095%
Calimesa	1,440,937,260	151,574,130	11.756%
San Geronio Pass Water	13,667,911,521	1,434,346,537	11.725%
Beaumont	7,330,938,516	749,058,191	11.381%
San Jacinto	4,092,194,820	411,062,694	11.167%
Cathedral City	5,907,291,033	558,551,194	10.443%
Hemet	7,451,789,224	696,038,392	10.303%
La Quinta	16,721,802,415	1,548,290,696	10.204%
Palm Springs	17,155,084,241	1,578,360,694	10.133%
Norco	4,312,076,637	396,512,657	10.127%
Rancho Mirage	10,677,545,631	923,578,921	9.469%
Coachella	2,432,373,573	209,274,722	9.414%
Corona	26,254,900,683	2,211,339,811	9.197%
Lake Elsinore	8,058,518,573	658,232,641	8.895%
Indio	10,600,256,274	859,246,152	8.821%
Moreno Valley	20,881,905,166	1,673,981,298	8.715%
Riverside	38,262,312,576	2,996,103,156	8.496%
Canyon Lake	2,201,707,560	161,990,348	7.942%
Murrieta	16,566,233,806	1,182,515,734	7.687%
Jurupa Valley	12,719,796,046	890,335,018	7.526%
Temecula	19,639,571,525	1,365,317,829	7.471%
Indian Wells	7,086,257,275	487,587,577	7.389%
Eastvale	12,220,951,090	801,991,668	7.023%
Wildomar	4,212,621,777	266,896,596	6.764%
Palm Desert	17,895,334,799	1,127,254,304	6.723%
Blythe	991,485,719	46,409,541	4.911%
City Average % Change: 9.8%		City Median % Change: 9.4%	



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

(unfortunate homeowner example)

Known knowns (aware & understand)

- *The water heater will eventually fail, but the life expectancy is generally understood.*

Known Unknowns (aware & don't fully understand)

- *As the house ages, it needs to be maintained, and updated and parts will fail. It is expected but not known when or how bad.*

Unknown knowns (aren't aware & understand)

- *Do we have TERMITES!?*

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

- *The house got hit by a meteor.*

Known



Unknown



Knowns

Unknowns

Rumsfeld Matrix

Known knowns (aware & understand)

- This year's taxes
- 2022-23 Budget
- Reserve Minimums
- Balloon Payments
- Rough DCP/Sites Costs
- HDL Tax Estimates 5 Years Maximum
- Ventura Water

Known Unknowns (aware & don't fully understand)

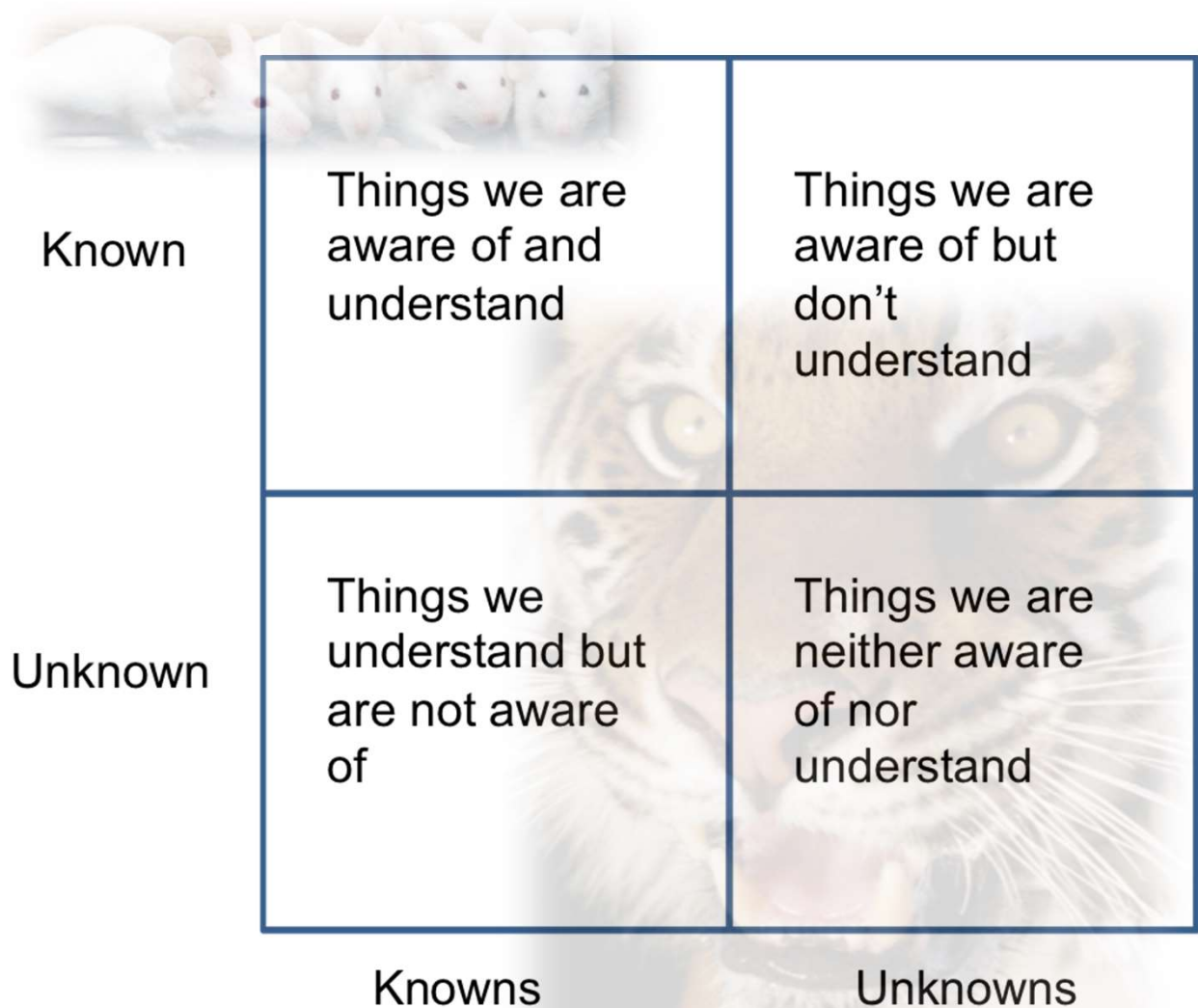
- Aging Infrastructure
- Increasing SWP costs
- Precise DCP/Sites Costs
- Long Term Transfer Costs (other people's Table A)

Unknown knowns (aren't aware & understand)

- Subsidence
- Delta Outage (e.g., earthquake in Delta)
- Climate Change and Effects on Supply
- Effect of Contract Extension on Statement of Charges
- Inflation Pressures

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

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



Rumsfeld Matrix

Known knowns (aware & understand)

- This year's taxes
- 2021-22 Budget
- Reserve Minimums
- Balloon Payments
- Rough DCP/Sites Costs
- HDL Tax Estimates 5 Years Maximum

Known Unknowns (aware & don't fully understand)

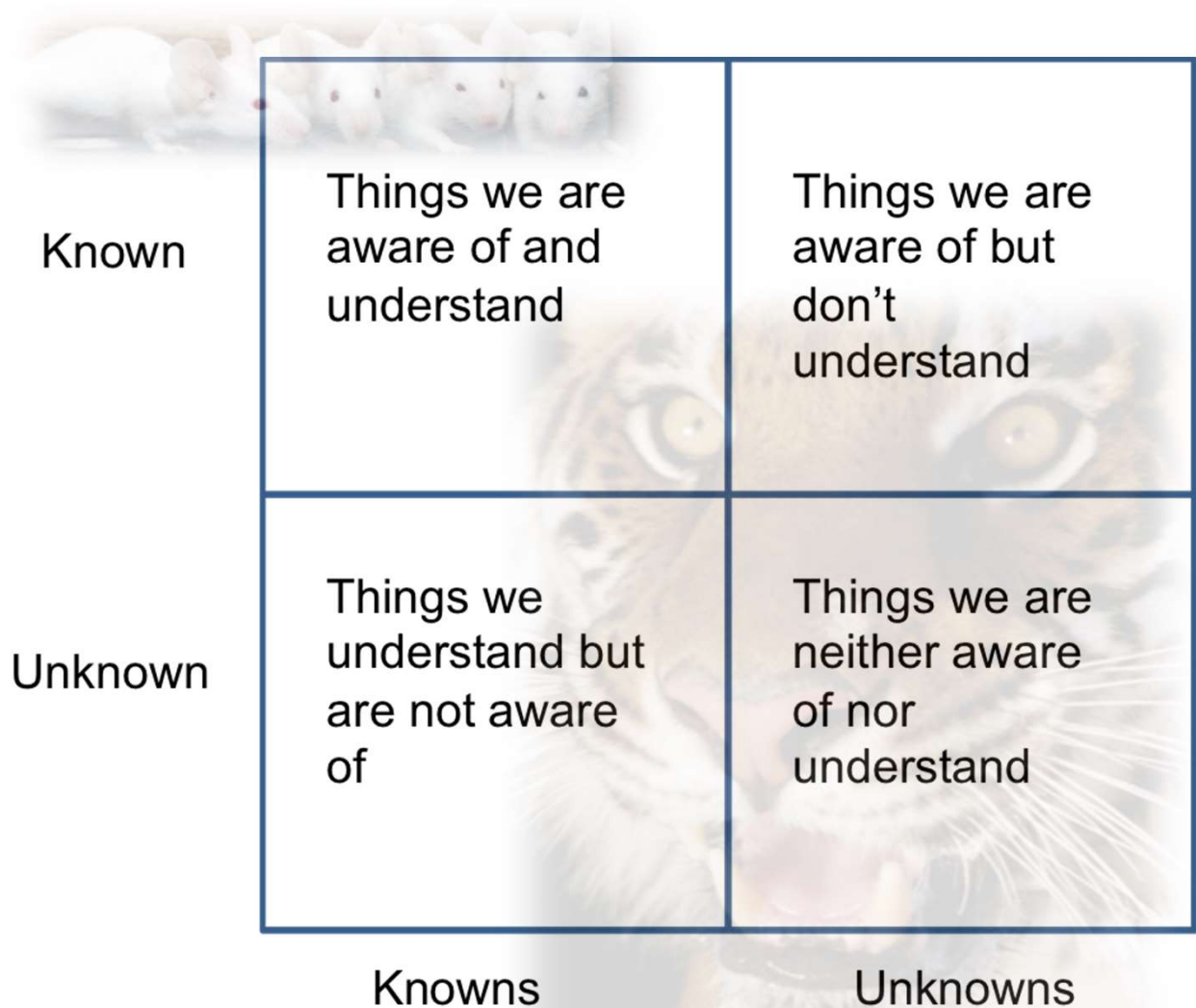
- Aging Infrastructure
- Increasing SWP costs
- Precise DCP/Sites Costs
- Long Term Transfer Costs (other people's Table A)

Unknown knowns (aren't aware & understand)

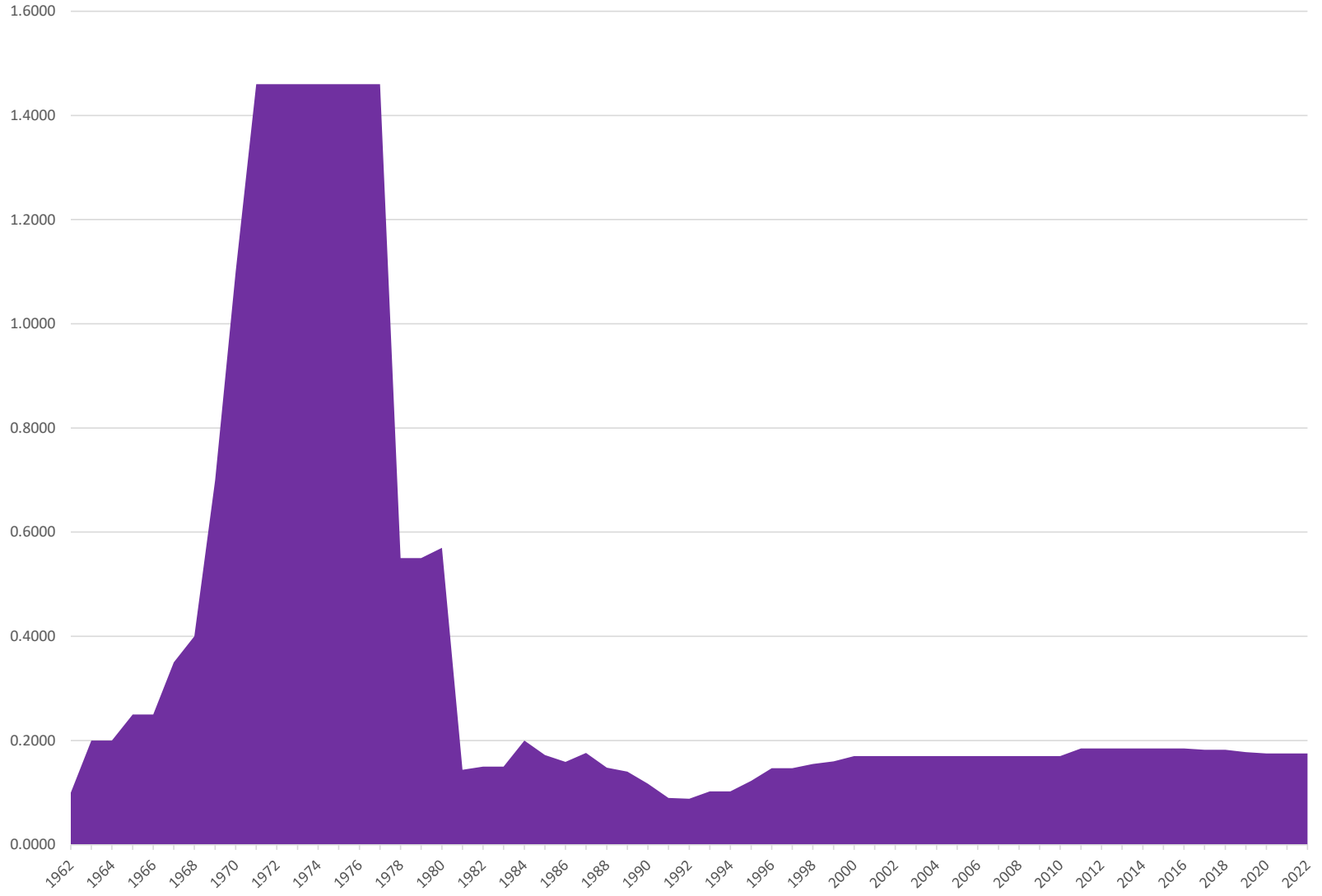
- Subsidence
- Delta Outage (e.g., earthquake in Delta)
- Climate Change and Effects on Supply
- SWP Cost Compression (Statement of Charges)

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

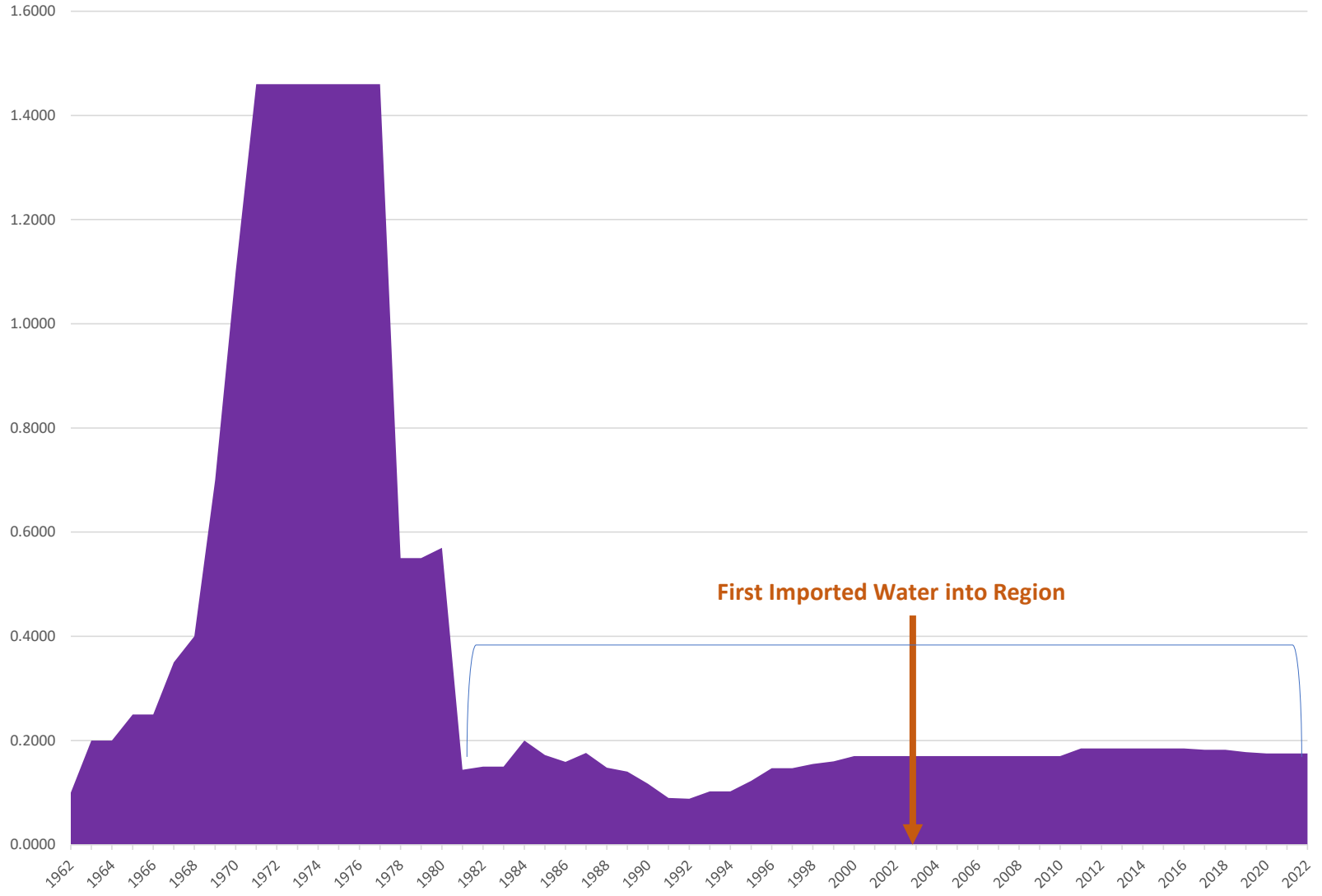
- Major Inflation
- Recession?
- Force Majeure
- Major Disaster
 - Earthquake
 - Delta Levee Failure
- War
- Other?



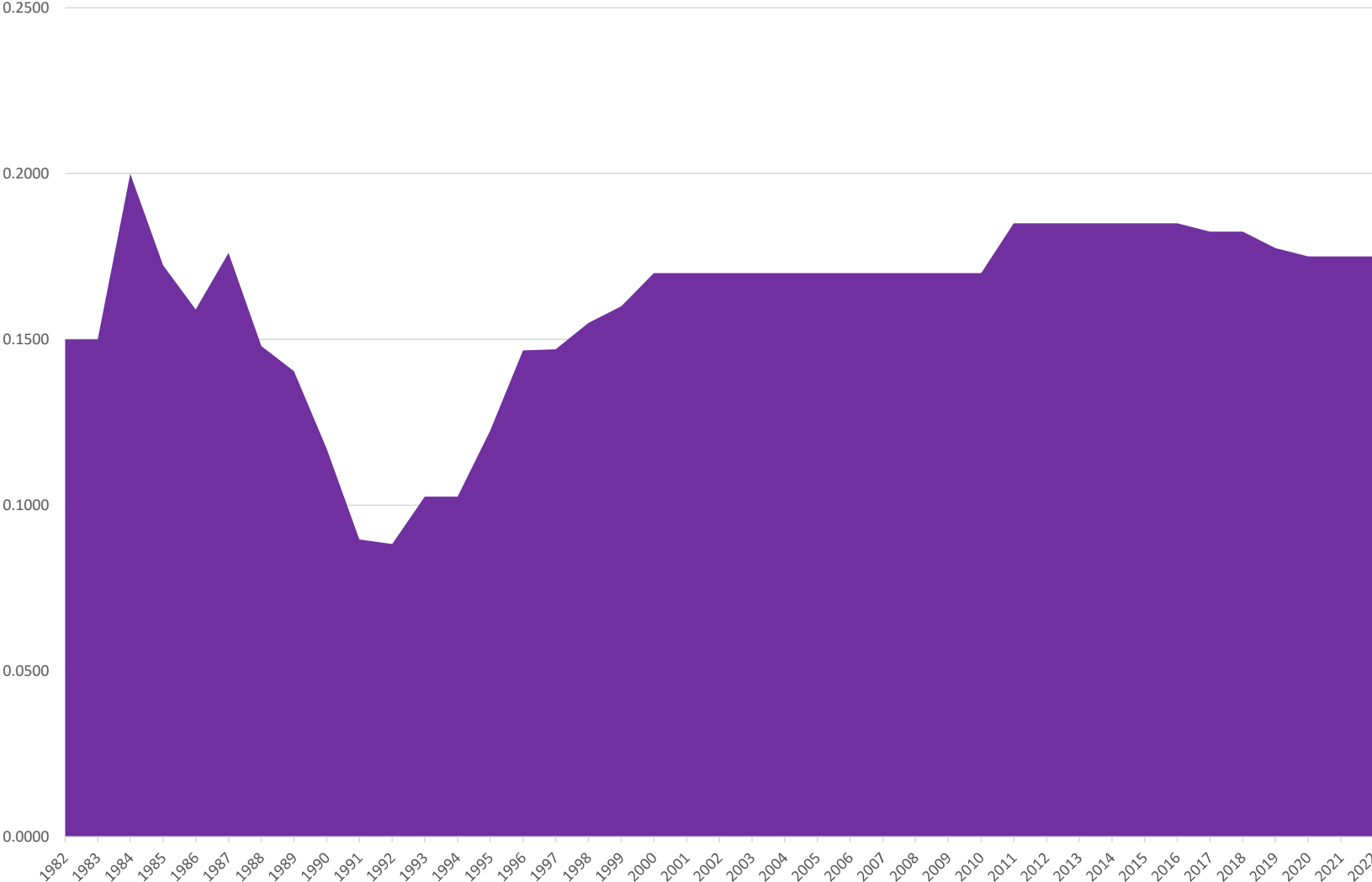
Tax Rate (per \$100 Assessed Value)



Tax Rate (per \$100 Assessed Value)



Tax Rate (per \$100 Assessed Value)



Formula:

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

Example:

Current (2023) Median House Value in Pass area: ~\$450,000

Tax rate: 17.50 cents (Current Rate)

$$\frac{\$450,000}{\$100} \times 17.50 \text{ cents} = \$787 \text{ annually}$$

Tax rate: 17.75 cents

$$\frac{\$450,000}{\$100} \times 17.75 \text{ cents} = \$798 \text{ annually}$$

Tax rate: 18.00 cents

$$\frac{\$450,000}{\$100} \times 18.00 \text{ cents} = \$810 \text{ annually}$$


Δ \$12

* 0.25 cent change in tax rate = ~\$372,000 in annual Agency Debt Service revenue change

Summary

- Tax rate roughly maintained for the last 40 years
- High growth area of the Riverside County
 - Higher revenues & greater need for committed investments (Sites, DCP, etc.)
- Sites and DCP revised cost estimates expected 2024 or 2025
 - Recent inflation wildcard may affect revised costs
- DWR anticipates increased costs (last 100% year was 2006)
- Increased recent revenues offset by recent inflation
- Property values have fallen for the first time in 10 years
- **Budget: income meets expenses**

Agency is presently positioned to not raise the tax rate at this time, even with the uncertainties outlined above



Staff Recommendation
Board set tax rate
and
approve Resolution 2023-12

San Geronio Pass Water Agency

DATE: July 17, 2023
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Tom Todd, Jr., Chief Financial Officer
SUBJECT: TAX RATE FOR FY 2023-24

RECOMMENDATION

The Board set a tax rate for FY 2023-24 by approving Resolution 2023-12.

BACKGROUND

The Board sets a tax rate for the Debt Service Fund every year. The Riverside County Board of Supervisors has determined the deadline for submitting tax-rate resolutions as Thursday, August 1, 2023.

ANALYSIS

The tax rate for FY 2022-23 was 17.5 cents per \$100 of assessed value. In the past, from 2000 to 2011, the tax rate was 17 cents. In 2011, the Board decided to increase reserves in order to avoid a large tax-rate increase in the late 2020s to prepare for the EBX balloon payments, and raised the tax rate to 18.5 cents. In 2017, the Board reduced the rate to 18.25 cents for two years. In 2019 it reduced the rate to 17.75 cents. In 2020, it reduced the rate to 17.5, the current level.

The current Debt Service Fund balance is around \$68 million. This is projected to enable the Agency to meet its debt obligations through 2030 by using the built-up reserves. However, increasing financial pressures on the State Water Project (SWP) and Agency involvement in generational opportunities to preserve its investment in the SWP suggest that the current tax rate may be insufficient to continue to meet debt requirements and maintain a prudent level of reserves past 2030.

Additionally, changes in the way DWR prepares the SOC due to contract extension are already having an impact on the calculation of the amount owed to DWR. These factors highlight the importance of monitoring the Debt Service fund and the performance of the tax rate closely.

FISCAL IMPACT

As previously discussed during the consideration of the Debt Service Budget, for FY 2023-24, a slight reduction in reserves is projected. The next two years are likely to see little or no increases in reserves, and then a reduction in reserves from 2026 through 2029. From 2030 on, careful management may allow the Agency to maintain the reserves

and meet its obligations to the SWP and to the region, but it is also possible that additional tax revenue may be needed.

Additional revenue could be derived from an increase in water rates. However, the Board has determined that previously adopted customer rates based on rate studies and a formal public process are currently appropriate, and it would be infeasible to expend revenues derived from such customer rates, or an increase in such rates, on estimated SWP expenditures for FY 2023-24.

ACTION

The Board set a tax rate for FY 2023-24 by approving Resolution 2023-12.

ATTACHMENTS

Resolution 2023-12

RESOLUTION NO. 2023-12

A 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, pursuant to California Revenue and Taxation Code Section 96.31(a)(2), a local water district may levy property taxes to provide for payments to the state under a state water supply contract entered into pursuant to the California Water Resources Development Bond Act; 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, 2023, and ending June 30, 2024, for the interest and principal on general obligation bonds and other indebtedness and outlays as approved by the voters prior to July 1, 1978, and/or required by Article 1, Section 10 of the United States Constitution is \$29,800,000 for payments on the Contract between the State of California Department of Water Resources and the San Gorgonio Pass Water Agency for a water supply, dated November 16, 1962.

2. That the Board of Directors has determined, after a public process over a number years, that as of the date of this Resolution, it is not currently practicable or feasible to raise water rates to generate revenues sufficient to pay the above-mentioned expense for the upcoming fiscal year.

3. That the Board of Directors has determined that it is therefore necessary to levy and collect a tax sufficient to raise the amount of money required to pay the above-mentioned expense, and hereby fixes the rate of tax which will raise the amount of money required by said Agency at the following amount per hundred dollars of assessed valuation of taxable property within said Agency:

\$ 0.175 State Water Contract

4. That the Board of Directors does hereby certify the rates so fixed, and as herein set forth, to the Board of Supervisors of the County of Riverside, State of California, and to the County Auditor of said County.

5. 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 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.

6. 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.

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

8. The Recital set forth above is incorporated herein and made an operative part of this Resolution.

9. The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

10. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED AND APPROVED this 17th day of July, 2023.

Larry Smith
President, Board of Directors
San Gorgonio Pass Water Agency

ATTEST:

Robert Ybarra
Secretary, Board of Directors
San Gorgonio Pass Water Agency