

Briefing and Information on CAWCD Rates, Capital Charges and CAGRD Rates, Fees and Dues April 13, 2023

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ECAP CENTRAL ARIZONA PROJECT

Agenda

- Key Assumptions CAWCD Water Delivery Rates
- Taxes, Federal Repayment & Capital Charges
- CAWCD Water Delivery Preliminary Rates
- CAGRD Assumptions
- CAGRD Rates, Fees and Dues
- Underground Storage Rates

CAP's Two-Year Financial Planning Cycle

Even years

- Long-range financial plan
- Set water rates
- Strategic plan
- Reserve strategy review
- Budget update (if required)

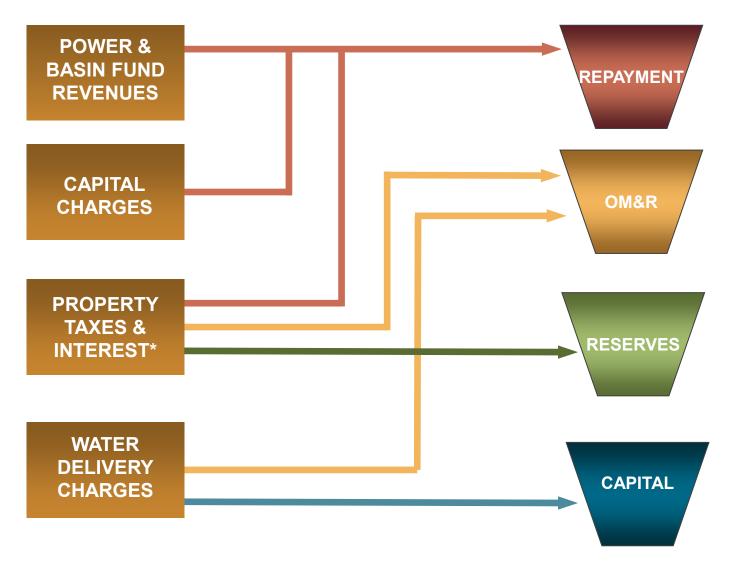
Odd years

- 2-year Budget and Business Plan (e.g. 2022-2023)
- Water rate update (if required)

Every year

- Quarterly financial reviews
- Set tax rates

General Fund Sources and Uses of Revenue



Key Assumptions-CAWCD Water Delivery Rates

General

- ✓ Water rates are set to recover costs, on a long-term basis, net of other revenue
- ✓ Tier 3 shortage for base case
 - No 2024 additional conservation programs included
 - No Drought Contingency Plan (DCP) mitigation
 - DCP mitigation increases water volumes and O&M costs and is rate neutral
- ✓ Federal and NIA Reallocation for White Mountain Apache Tribe (WMAT) in 2024, available in 2025
- \checkmark Wheeling included at 4,000 acre-foot starting in 2026 and remains at that level
- ✓ No additional Non-Indian Ag (NIA) reallocation included in rate period
- ✓ Removed Hohokam Cliff Dam Replacement (CDR) volumes utilization
 - impacts capital charges
- ✓ Tiers Zero, 1, 2a and 2b rates provided for planning purposes

Key Assumptions-CAWCD Water Delivery Rates

General

- ✓ General ad valorem property tax rate held at 10¢
- ✓ Water storage tax held at maximum to be retained for federal repayment and CAWCD operational costs
 - Tax rate held at 4¢
 - Following reserve funding guidelines utilizing current reserve targets
 - No Ag Settlement pool, therefore, no taxes needed for Ag Consideration
 - No set aside for Arizona Water Bank Authority Long Term Storage Credit purchases
- ✓ No tax contribution reduction on water delivery rates or federal repayment incorporated into proposed rates other than what has been previously approved

Key Assumptions-CAWCD Water Delivery Rates

Power

- ✓ Long-term contracts
 - Fully utilized during period
 - Solar Phase 2 resources not available until the beginning of 2024
 - Salt River Project Option expiring at the end of 2024
- ✓ At lower levels of water deliveries, more significant shaping of energy may be possible, which could result in lower energy rates

Transmission

- ✓ Based on basic characteristics, variable costs are included in energy & fixed costs are included in O&M
- ✓ One Transmission Rate beginning in 4th quarter 2023
- ✓ El Paso Electric 80MW expires end of 2024. 4MW expires end of 2025 with the rest expiring end of 2026.

Water Volumes

(KAF) Tier 3	2024	2025	2026	2027	2028
Municipal & Industrial Subcontract	534	534	534	534	534
Federal Contract	341	341	341	341	341
Ag Settlement Pool	0	0	0	0	0
Excess	0	0	0	0	0
Wheeled Water	0	0	4	4	4
CAGRD credit transfers	24	27	29	32	32
Conservation	0	0	0	0	0
Total	899	902	908	911	911

Federal Repayment & Capital Charges

Federal Repayment

- ✓ Basin Development Fund net revenues are applied toward repayment first
- ✓ Balance must be made up as a cash makeup payment
- ✓ Annually CAWCD Board determines if any taxes are to applied towards repayment
- ✓ Balance of cash makeup payment are made from capital charges
- ✓ Repayment between \$55 million to \$58 million for 2024-2028
- ✓ No taxes beyond previous commitments are incorporated into proposed rates

Capital Charges

- ✓ Paid on M&I allocations, regardless of water delivery
 - Hohokam CDR contract holders of ~47,000 acre-feet are <u>not</u> included
- ✓ Not paid by federal and Ag Settlement Pool
- ✓ Must be used toward federal debt repayment on a cumulative basis
- ✓ Calculated after previous tax commitment for repayment

Federal Repayment & Capital Charges

	2024	2025	2026	2027	2028
Federal Repayment	\$57,833	\$56,417	\$55,002	\$53,586	\$53,426
Total Basin Development Fund Credit	(8,935)	(8,985)	(8,996)	(9,031)	(9,040)
Net Cash Payment	\$48,898	\$47,432	\$46,006	\$44,555	\$44,385
Taxes Applied: 2022/23 – General Ad Valorem @ 1.5¢	(12,240)	-	-	-	-
Cash Needed from Capital Charges	\$36,658	\$47,432	\$46,006	\$44,555	\$44,385
Allocation (acre feet) (Incl. CAGRD Credits & Wheeled Water)	678,905	679,062	683,095	683,111	683,138
Capital Charge (\$ acre foot)	\$53	\$69	\$67	\$65	\$64

Preliminary 2024-2028 Rate Components

	Tier 3		Tier 3 A	dvisory	
Units = \$/acre-foot	Proposed 2024	2025	2026	2027	2028
Capital Charges					
(A) M&I – Long Term Subcontract	\$53	\$69	\$67	\$65	\$64
Delivery Charges					
Fixed O&M	\$145	\$149	\$157	\$167	\$172
Big "R"	\$47	<u>\$56</u>	<u>\$58</u>	<u>\$58</u>	<u>\$58</u>
(B) Fixed OM&R	\$192	\$205	\$215	\$225	\$230
(C) Pumping Energy Rate	\$78	\$84	\$87	\$89	\$93
(D) Full Rate Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -
(E) 2020 Voluntary Rate Stabilization	\$(11)	\$ -	\$ -	\$ -	\$ -

Preliminary 2024-2028 Rate Schedule

			Tier 3 A	dvisory	
Units = \$/acre-foot The letter designations in the formulas refer to the Rates Components above	Tier 3 Proposed 2024	2025	2026	2027	2028
M&I Subcontract (B + C)	\$270	\$289	\$302	\$314	\$323
Federal Contract (B + C)	\$270	\$289	\$302	\$314	\$323
Ag Settlement Pool (C)	\$78	\$84	\$87	\$89	\$93
Excess (A + B + C)	\$323	\$358	\$369	\$379	\$387

Preliminary Rates Compared to Previous Rate Case

Tier 3	2024
Fixed OM&R:	
Proposed	\$192
Provisional	\$192
Change	\$0
Energy:	
Proposed	\$78
Provisional	\$76
Change	\$2
Capital Charges:	
Proposed	\$53
Provisional	\$53
Change	\$0

Increase is due to volatility of energy market resulting in higher forward prices

Authorization to Levy Taxes

Arizona Revised Statues § 48-3715 and § 48-3715.02 authorize CAWCD to levy two distinct taxes in its service territory.

General Ad Valorem Tax

✓ Up to \$0.10 per \$100 of assessed valuation

Water Storage Tax

- ✓ Up to \$0.04 per \$100 of assessed valuation
- ✓ Taxes equate to approximately 20% of CAP's total revenues in a given fiscal year.
- ✓ CAWCD Tax Rate History:

Tax Years	General Ad Valorem Tax	Water Storage Tax
2007-2013	\$0.06	\$0.04
2013-2023	\$0.10	\$0.04

Arizona Property Tax Classifications

Property Classification	Description	Assessment Ratio
Class One	Commercial and Industrial	17%*
Class Two	Agriculture, Golf Courses, Conservation Easement	15%
Class Three	Primary Residential, Residential Rentals	10%
Class Four	Assisted Care Facilities, Childcare Facilities, Timeshares	10%
Class Five	Railroads, Private Car Companies, Airports	Determined by Dept. of Revenue
Class Six	Foreign Trade Zones, Non-Commercial Historic Property	5%
Class Seven	Historical Commercial/Industrial Property	18%
Class Eight	Historical Nonprofit Residential Properties	10%
Class Nine	State, Federal, County, or Municipal Property	1%

^{*}HB 2900 (omnibus; taxation) reduced the ratio to from 18% in 2021 to 17.5% in 2022, 17% in 2023, 16.5% in 2024, and 16% in 2025.

Full Cash Value vs. Limited Property Value

- ✓ Full Cash Value (FCV) = Market Value
- ✓ With the passage of Prop 117, beginning in tax year 2015-2016, the tax levy is assessed on the Limited Property Value (LPV). The LPV limits annual growth property valuation to 5%.



Eddie Cook Maricopa County Assessor

301 W. Jefferson | Phoenix, AZ 85003 602.506.3406 | mcassessor.marlcopa.gov

Dear Property Owner,

Welcome to your 2023 Notice of Value! Our team has carefully analyzed the more than 1.8 million parcels and accounts in Maricopa County to place two values on your property: the full cash value (FCV) and limited property value (LPV).

Median full cash values rose at tremendous rates across the most common types of property. While your FCV can change by any amount annually, your LPV, the value used to calculate your property taxes, can only increase by 5% unless there is a major change to your property.

You can find more information and helpful videos on property values on our website, mcassessor.maricopa.gov.

Property Type	FCV 2023	FCV 2022	LPV 2023	LPV 2022	FCV % Change	LPV 6 Chang
Vacant Land	53,400	40,800	17,066	16,253	30.9%	5%
Single Family Residential	352,000	269,700	196,415	187,062	30.5%	5%
Condominium	225,700	180,000	110,068	104,827	25.4%	5%
Apartments	473,700	338,300	130,545	124,329	40%	5%
Commercial	853,700	725,500	544,361	519,986	17.7%	4.7%
Manufactured Housing	92,300	74,200	67,637	64,416	24.4%	5%

Sample Tax Bill

John M. Allen MARICOPA COUNTY TREASURER PO Box 52133 Phoenix AZ 85072-2133

Limited Value (Primary)

MARICOPA COUNTY CONSOLIDATED 2020 PROPERTY TAX STATEMENT

It is important to update your mailing address with the Maricopa County Treasurer's Office. Property taxes are due even if a bill is not received. ARS 42-18051 A2 & C

treasurer.maricopa.gov

JOHN DOE 1234 E KNOWN ST PHOENIX AZ 85003

YOUR 2020 PROPERTY TAX SUMMARY FOR PARCEL # 123-45-678



		Go F	Paperless	
		Noti	cesOnline	.com
7 (e	AUTHO	DRIZATION COL	DE
	X I		- A1BC2DEF	
U,		See inse	ert for instruction	ns

Ratio .100 Assessed

Full Cash Value (Secondary) 4 146,000	166,200
Previous Year Total \$1,226.46	5 Total 2020 Assessed Taxes \$1,145.22
WHO IS ACCOUNTABLE FOR MY PROPERTY TAXES?	PAYMENTS
A) Your elected State Officials have levied	Pay by Check: Mailed payments must be postmarked on or before the due date. A \$25 fee will be assessed for returned checks. Use enclosed envelope and payment coupon and write your parcel number on your check. U.S. funds only. For Payment Options Visit the RESOURCES Section on the Treasurer's Home Page at

TYPE LIMITED RATIO ASSESSED Land/Building 70,461 .100 7,046 Personal Property .100 Exemption Primary Total 7,046 70,461 .100 AREA CODE: 661300 O FULL CASH RATIO ASSESSED TYPE Land/Building 166,200 Personal Property Exemption Secondary Total 166,200 SPECIAL DISTRICT (VALUE/ACRES/SQFT) = ASSESSED DIST# MADISON GROVES IWDD NO 63 .39 A= ACRES, S= SQUARE FEET, D= DOLLAR ASSESSMENT

PARCEL/ACCOUNT# 123-45-678
ADDRESS: 1234 E KNOWN ST ©

LEGAL DESCRIPTION SEC/LOT 81 TWN/BLK RNG/TR

Property address is provided by the Maricopa County Assessor's Office

Own several properties?

Bulk payments may be your answer. Visit **treasurer.maricopa.gov** to learn more about making payments online.

Learn how your tax dollars are spent!

More detailed information is available at **treasurer.maricopa.gov** View your tax bill online, and find information about how your property taxes are allocated.

View a map of delinquent parcels.

Check your property on our map! The map highlights properties that are behind in their taxes. It will also help you check to see if there are any "orphan" parcels associated with your real estate. Visit treasurer.maricopa.gov

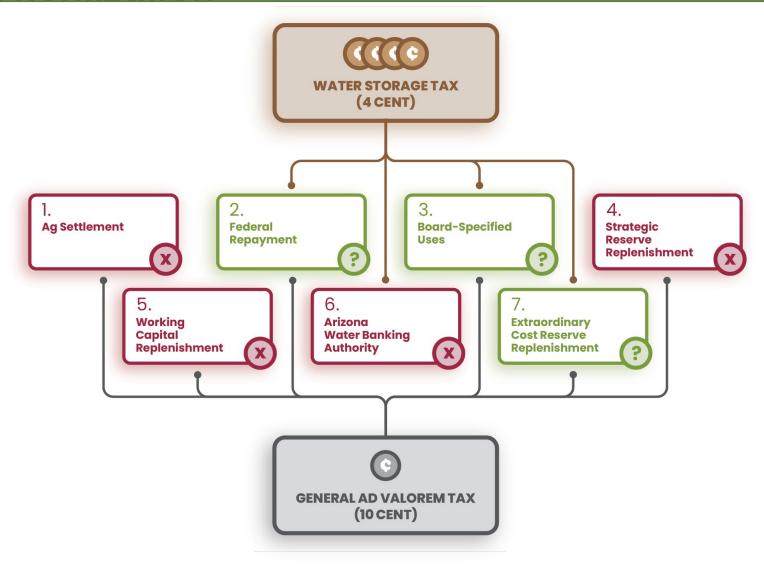
				i	<u> </u>	J. a.
		PHONE	WEB	2019 AMOUNT	2020 AMOUNT	CHANGE
ROOSEVELT ELEMENTARY ROOSEVELT ELEMENTARY BONDS ROOSEVELT ELEMENTARY OVERRIDES PHOENIX HIGH SCHOOL PHOENIX HIGH SCHOOL BONDS PHOENIX HIGH SCHOOL OVERRIDES COMMUNITY COLLEGE DIST COMMUNITY COLLEGE DIST SOMMUNITY COLLEGE DIST BONDS STATE EQUALIZATION TAX	(602-243-4800	www.rsd66.org www.rsd66.org www.phoenixunion.org www.phoenixunion.org www.phoenixunion.org www.maricopa.du www.maricopa.du	278.11 22.44 26.40 206.89 6.35 72.61 11.54 30.64	286.84 97.48 123.53 209.15 77.77 53.39 79.27 11.49 31.18	+3.1% +18.2% -2.3% +1.1% +3.2% +1.9% +2.1% 4% +1.8%
STATE AID		3			-122.16	
TOTALS FOR SCHOOLS/EDUCATION	M			941.36	847.94	
CITY OF PHOENIX CITY OF PHOENIX BONDS		E 602-262-6011 0 602-262-6011	www.phoenix.gov www.phoenix.gov	87.61 55.30	91.99 58.07	+5.0% +5.0%
TOTALS FOR CITY OF PHOENIX	N			142.91	150.06	
GENERAL COUNTY FUND		B 602-506-8511	www.maricopa.gov	94.02	98.71	+5.0%
TOTALS FOR GENERAL COUNTY	0			94.02	98.71	
FLOOD CONTROL OF MARICOPA CTY CENTRAL AZ WATER CONSV DIST		602-506-1501	www.fcd.maricopa.gov	12.02	12.62	+5.0%
FIRE DISTRICT ASSISTANCE TAX	,	A 623-869-2333 602-506-8511	www.cap-az.com	9.40	9.86 0.64	+4.9% +0.0%
LIBRARY DISTRICT MARICOPA SPECIAL HEALTH DIST. MARICOPA SPECIAL HEALTH DIST. BONDS	B	B 602-652-3000 F 602-344-5011 D 602-344-5011	www.mcldaz.org valleywisehealth.org valleywisehealth.org	3.74 12.56 9.81	3.92 12.96 8.51	+4.8% +3.2% -13.3%
TOTALS FOR SPECIAL DISTRICTS				48.17	48.51	
		TOTAL		1,226.46	Q 1,145.22	-6.6%

Source: Maricopa County Treasurer's Website

Taxes & Rates

- ✓ For the 2023/24 tax year:
 - 1 cent of tax = \$7.0 million
 - 1 cent of tax = \$10 per acre-foot decrease in Capital Charges
 - 1 cent of tax = \$8 per acre-foot decrease in Fixed O&M rate or Energy rate
- √ 14 Cents of CAWCD Tax is \$28 annually on a \$200,000 LPV home
 - 2023 Median Single Family Residential LPV in Maricopa County is \$196,415*
 - 2023 Median Condominium LPV in Maricopa County is \$110,068*
 - 2023 Median Apartment LPV in Maricopa County is \$130,545*
 - 2023 Median Commercial LPV in Maricopa County is \$544,361*
 - Source: 2023 Maricopa County Assessor Notice of Value

Tax Use Prioritization



Extraordinary Cost Reserve

✓ Current Target (\$281M)

- ✓ Current Available Cash Balance (\$143M)
 - ✓ \$112,071,818 Required to Meet Target

	Target
Original Commitments	
2021-2024 Interstate System Conservation Project*	6,300,000
Colorado River Resiliency (500+ Plan)*	20,000,000
Pool 34 Repairs*	10,000,000
Spook Hill Substation Decommissioning	750,000
Critical Spare Program	895,000
System Use Agreement Upfront Funding	12,000,000
Large Siphon Replacement	160,000,000
Hydrology: Dikes & Cross Drainage	28,600,000
BOR Infrastructure Partnerships	42,000,000
Total Goal by 2030	280,545,000

ECR Cash Balance: January 4, 2023	\$ 156,503,182
Total ECR Commitments	\$ (13,016,000)
Available Cash	\$ 143,487,182
Remaining Target	\$ 255,559,000
Variance to Target	\$ (112,071,818)

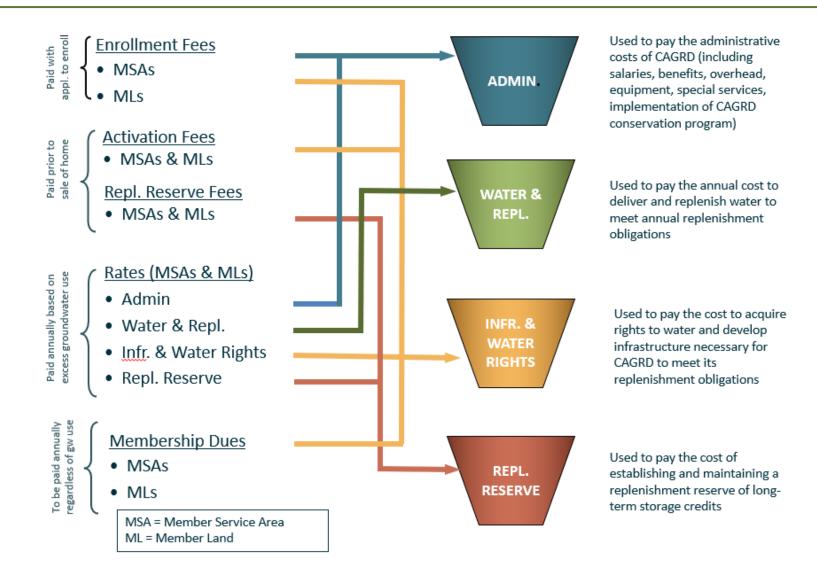
✓ Staff does not recommend adjusting tax rates in 2023/2024 because Reserve Target (\$112M) will exceed anticipated revenues (\$98M).

Prior Year Board Action on Taxes/Rates

Source of Revenue by Tax Year	Amount	Date Approved	Purpose
2020/21 taxes	\$ 14,500,000	Jun-20	2.5 cents applied to 2022 capital charges to reduce it by \$21/AF.
2021/22 taxes	\$ 9,000,000	Jun-21	1.5 cents applied to 2023 capital charges to reduce it by \$13/AF.
2022/23 taxes	\$ 6,800,000	Dec-21	1.0 cents applied to 2022 FOM&R for 500+ plan, reducing rate impact from \$11/AF to \$7/AF
2022/23 taxes	\$ 12,200,000	Jun-22	1.5 cents applied to 2024 capital charges to reduce it by \$14/AF.
2022/23 taxes	\$ 17,000,000	Jun-22	2.5 cents applied to 2023 Fixed OM&R rate to reduce it by \$12/AF.
2022/23 taxes	\$ 13,600,000	Jun-22	2.0 cents applied to 2023 energy rate to reduce it by \$8/AF.
2022/23 taxes	\$ 4,300,000	Sep-22	Reduce 2022 FOM&R Impact of conservation agreements by 50% (approx \$5/AF).



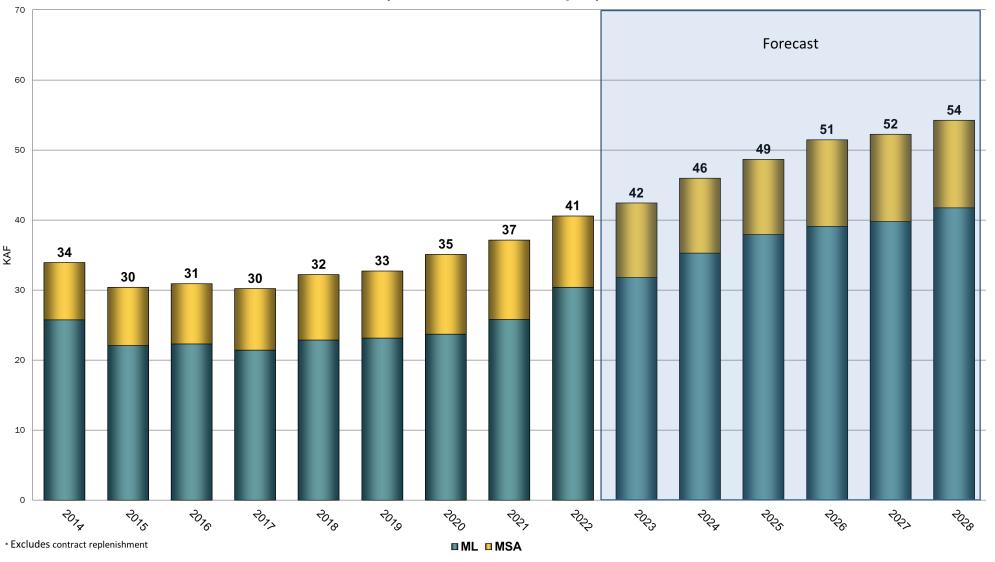
CAGRD Revenue Stream

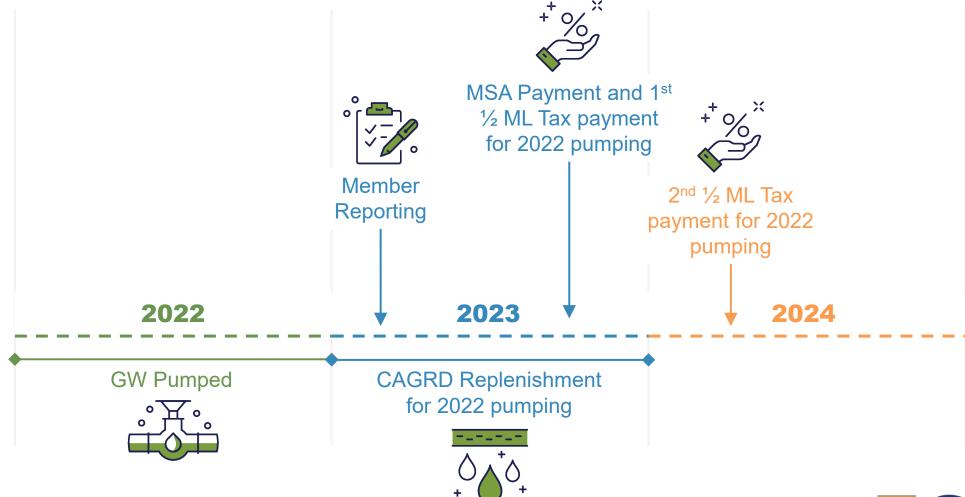


CAGRD Assumptions

- ✓ Forecasting lower level of enrollments and activations, while obligations are in line with previous rate case.
- ✓ Forecasts incorporate Active Management Area (AMA)-specific home building projections
- ✓ Continuing to utilize a Replenishment Reserve purchase rate of 1/3 of obligations
 - Ahead of where targets indicate should be and actual reliance is behind where 2015 Plan of Operation indicates
- ✓ Administrative rate covers all currently known expenses and is reduced by the enrollment contribution toward administrative costs.
- ✓ Activation & Enrollment Fees remain consistent with prior agreement for 2023/24 and increase at 5% per year thereafter.
- ✓ Annual Membership Dues (AMDs) are set at the maximum allowed by state statutes for all years.

CAGRD Obligation History and Forecast (Acre Feet -- Year Pumped)



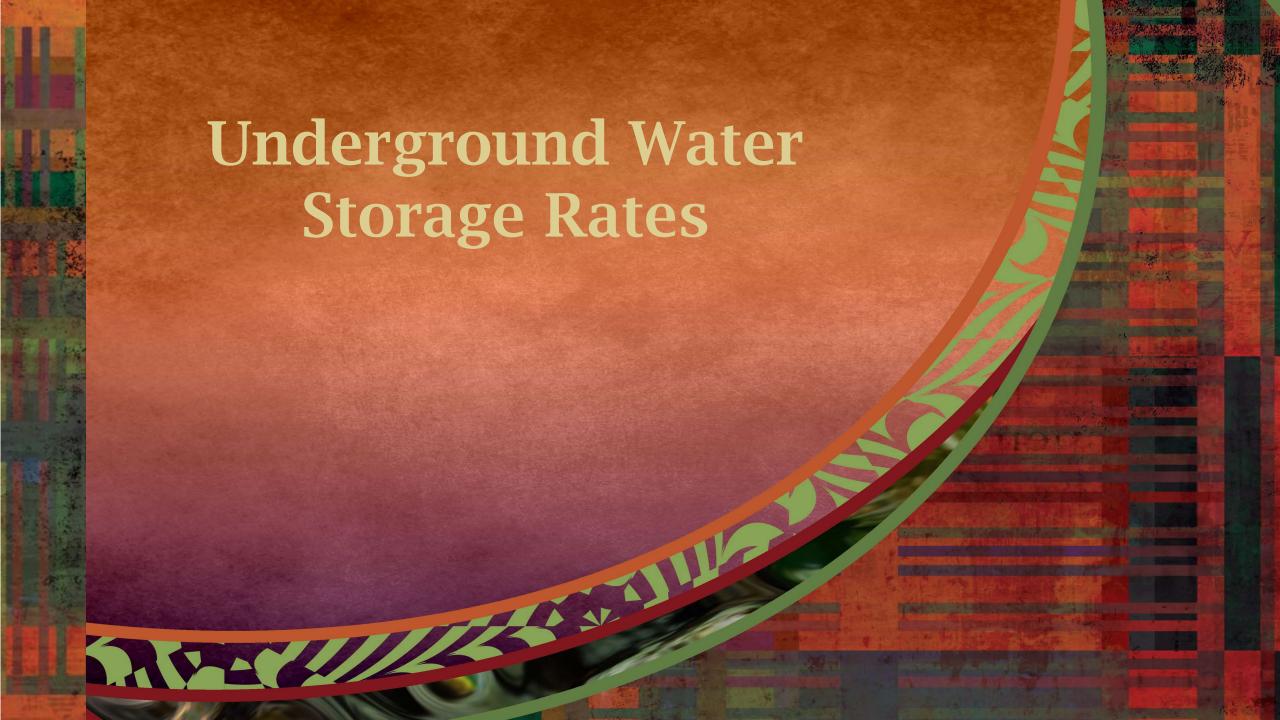




- ✓ Administrative rate component remains fairly consistent with previous rate case.
- ✓ Water Replenishment rates are fairly consistent with prior rates
- ✓ Replenishment Reserve rates are fairly consistent with prior rates
- ✓ Infrastructure and Water Rights rate component held consistent with previous levels
- ✓ Annual Membership Dues (AMDs) decrease due to lower enrollments and activations than previous rate case
 - AMDs can only be 25% of total projected I&WR collections
 - A decrease of I&WR revenues from other sources decreases the total amount to be collected through AMDs (if collected at maximum amount)

	Tier 1 Firm		Firm Proposed		Tier 3				Tier 3 <i>i</i> isory		Т	ier 3
	<u>202</u>	22/23	<u>20</u>	<u>23/24</u>	<u>20</u>	<u> 24/25</u>	<u>20</u>	025/26	<u>20</u>	<u> 26/27</u>	<u>20</u>	27/28
Phoenix Active Management Area												
Water & Replenishment Component ¹	\$	260	\$	280	\$	327	\$	358	\$	369	\$	379
Administrative Component ²		49		48		48		48		48		48
Infrastructure & Water Rights Component ³		353		353		353		353		353		353
Replenishment Reserve Charge ⁴		103		90		96		103		107		111
Total Assessment Rate (\$/AF)	\$	765	\$	771	\$	824	\$	862	\$	877	\$	891
Pinal Active Management Area												
Water & Replenishment Component ¹	\$	280	\$	290	\$	343	\$	369	\$	376	\$	386
Administrative Component ²		49		48		48		48		48		48
Infrastructure & Water Rights Component ³		353		353		353		353		353		353
Replenishment Reserve Charge ⁴		103		90		96		103		107		111
Total Assessment Rate (\$/AF)	\$	785	\$	781	\$	840	\$	873	\$	884	\$	898
Tucson Active Management Area												
Water & Replenishment Component ¹	\$	280	\$	290	\$	343	\$	369	\$	376	\$	386
Administrative Component ²		49		48		48		48		48		48
Infrastructure & Water Rights Component ³		353		353		353		353		353		353
Replenishment Reserve Charge ⁴		103		90		96		103		107		111
Total Assessment Rate (\$/AF)	\$	785	\$	781	\$	840	\$	873	\$	884	\$	898
Contract Replenishment Tax - Scottsdale 5												
Cost of Water	\$	247	\$	280	\$	327	\$	358	\$	369	\$	379
Cost of Transportation		n.a.		n.a.		n.a.		n.a.		n.a.		n.a.
Cost of Replenishment		n.a.		n.a.		n.a.		n.a.		n.a.		n.a.
Administrative Component ²		49		48		48		48		48		48
Total Tax Rate (\$/AF)	\$	296	\$	328	\$	375	\$	406	\$	417	\$	427

	Tier 1 Tie		Tier 2a		Tier 3		Tier 3			Tier 3		Tier 3
		Firm Proposed						Advisory				
	<u>2</u>	2022/23 2023/24		2024/25		2025/26		2026/27		2	027/28	
<u>Units = \$/Unit</u>												
Enrollment Fee - Commercial Subdivisions ⁶	\$	1,307	\$	1,422	\$	1,493	\$	1,568	\$	1,646	\$	1,728
Enrollment Fee ⁶	\$	347	\$	372	\$	391	\$	410	\$	431	\$	452
Activation Fee - Minimum ⁷	\$	345	\$	370	\$	389	\$	408	\$	429	\$	450
Activation Fee - Phoenix AMA ⁷	\$	1,400	\$	1,520	\$	1,596	\$	1,676	\$	1,760	\$	1,848
Activation Fee - Pinal Post-2007 7	\$	1,400	\$	1,520	\$	1,596	\$	1,676	\$	1,760	\$	1,848
Activation Fee - Tucson AMA 7	\$	960	\$	1,050	\$	1,103	\$	1,158	\$	1,216	\$	1,276
Member Land Annual Membership Dues (\$/Lot) 8												
Phoenix Active Management Area	\$	30.00	\$	29.11	\$	31.26	\$	32.54	\$	33.04	\$	32.94
Pinal Active Management Area	\$	23.38	\$	22.61	\$	25.09	\$	26.96	\$	28.21	\$	28.95
Tucson Active Management Area	\$	35.73	\$	35.50	\$	38.38	\$	40.21	\$	41.07	\$	41.17
Member Service Area Annual Membership Dues (\$/AF) 8	\$	117.19	\$	113.42	\$	125.88	\$	135.26	\$	141.55	\$	145.28



Underground Storage Rates

	Proposed	Advisory									
Units = \$/acre-foot	2024	2025	2026	2027	2028						
Underground Water Storage O&M											
Phoenix AMA	\$14	\$14	\$15	\$15	\$15						
Tucson AMA	\$15	\$15	\$15	\$15	\$15						
Underground Water Storage Capital Charge											
Phoenix AMA	\$15	\$15	\$15	\$15	\$15						
Tucson AMA	\$9	\$9	\$9	\$9	\$9						

[✓] Underground Water Storage program reserves remain at adequate levels to support operations

[✓] No change from advisory rates

