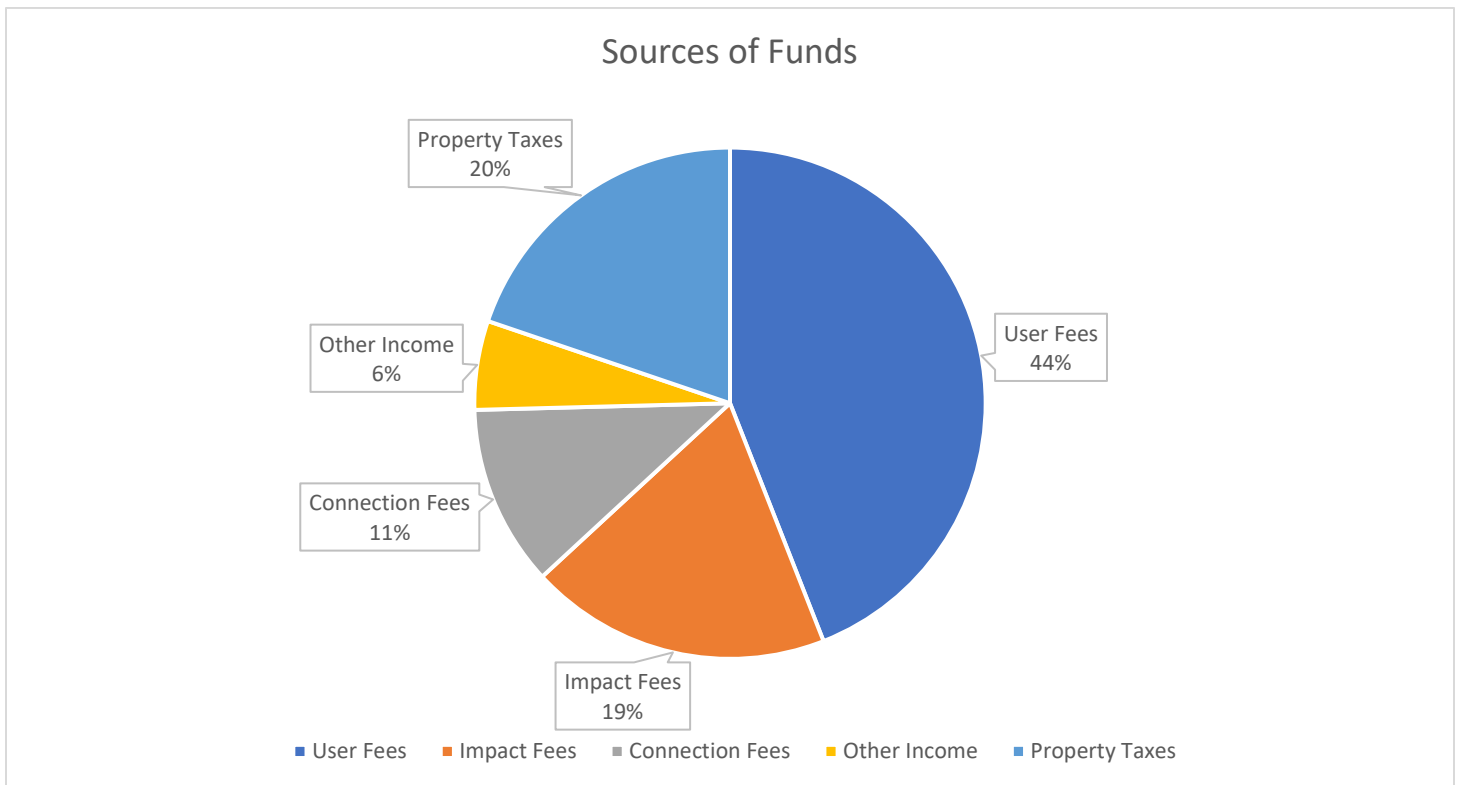


Overview

Magna Water District levy's property taxes from property owners located within our service area each year. This tax makes up a portion of your total overall property tax bill. Your overall property tax bill includes other entities including Magna Water District, such as the school district, Magna Mosquito Abatement District, Unified Fire Authority, the city or town, and other agencies.

Property tax is an important source of revenue for the District which partially funds operation and maintenance costs to maintain the water and sewer system that services your property and covers general obligation bond repayments. Some examples of the operation and maintenance costs of the District are the purchasing of chemicals to treat the water and sewer, power to pump the water and to collect the sewer, labor to maintain the system, and parts and materials to make repairs. In addition, the ability to collect property taxes allows the District to collect revenue from properties that do not have a water or sewer connection. These properties receive the benefit of fire protection from the District's infrastructure and pay their share via property taxes. Property taxes are calculated by applying an assessment ratio to your property's fair market value.

The pie chart below shows a typical yearly split of the District's revenue sources. Property taxes collected accounts for approximately 20% of all the revenue the District receives.



District's Tax Rate

The District's property tax rate includes two parts. 43% of the property tax rate is attributable to operation and maintenance costs and the other 57% is used for repayment of general obligation bonds. General obligation bonds are municipal bonds which provide a way for state and local governments to raise money for projects at low interest rates. The District last held a bond election November 8, 2016, which passed with a 57% approval rate by the residents. The District used the proceeds from these bonds for facility upgrades and improvements. The bond was secured by and are being repaid with property taxes.

History

The District does not automatically raise their property tax rate every year, in fact, the District has not had a property tax increase since 2018. With significant inflationary pressure over the past several years, and rising costs in operation and maintenance, we anticipate having to propose a tax increase as early as 2024. The District bases the timing of a tax increase by analyzing the trend of actual operation and maintenance costs. Each year the District receives the same amount of revenue from property taxes as it did the prior year, not including new growth. When the operation and maintenance costs exceed the property tax revenue by 75% or more, the District begins the process to increase the amount collected from property taxes to insure long term financial health of the District.

Certified Tax Rate/Truth in Taxation

The Certified Tax Rate is defined as the total rate that the District could levy minus the Debt Service Tax Rate and the Judgment Recovery Tax Rate-so that the district would receive the same dollars as was budgeted in the prior year. In 2022, the District's calculated certified tax rate, to receive the same amount of revenue as 2021, was .04%. The maximum certified tax rate the District can levy is 0.08% of taxable property values in the District's area. If the new amount of revenue needed is more than the revenue received in the prior year, the District must go through the "truth in taxation" process.

Truth in Taxation Process

If the District determines that it needs greater revenues than received in the prior year, statutes require the District go through a process referred to as Truth in Taxation. The Truth in Taxation statute requires an entity to go through a series of steps which include proper notification of the proposed tax increase to the taxpayers and a public hearing. This was last completed in 2018.

Redevelopment Projects in the District

Redevelopment areas began in Utah in the mid 1960's with the Utah Community Development Act. Its original intent was to fund the revitalization of downtown areas of communities through Tax Increment Financing (TIF). Tax Increment Financing allows the tax dollars collected for a redevelopment project area that are more than a "base year" tax amount to be paid to the redevelopment agency for purposes of "alteration, improvement, modernization, reconstruction, or rehabilitation...of existing structures in a project area" rather than the taxing entities.

A redevelopment area decreases the amount of property taxes received by the District. A fair market value is determined when the project is started, for the redevelopment area. As the area is improved, the value of the property naturally increases due to the improvements, however, the District does not receive the property tax collected from the improved value, it receives the property taxes on the value determined in the beginning, which is referred to as the "base year". After a certain number of years go by, and the project is over, the District will then begin to collect the taxes on the new improved value.

The District has 4 redevelopment projects in its boundaries and each year a tax increment, a portion of the property tax collected, is given to the project instead of the District. In 2022, \$1,252,600 was given to the redevelopment projects, in lieu of given to the District.