BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: June 9, 2020

Title: Recalculation of full cash values for leased solar equipment

Introduction/Background:

Following litigation in the Arizona Supreme Court regarding valuation, for property-tax purposes, of solar equipment owned by various companies but leased by private residential and commercial owners and installed on their properties, all Arizona counties were made parties to various consolidated lawsuits. All counties are represented by outside counsel. In 2019, in an effort to address some of the issues in the lawsuits, the Arizona Legislature passed HB2493, which set forth a specific valuation methodology for this equipment. The bill required recalculation of valuations for prior tax years, along with use of the new methodology going forward. The bill further requires refunds of any excess tax paid in prior years following the recalculations. The Assessor agreed to value this type of property going forward, but declined to recalculate values for prior years. Accordingly, the Pima County Department of Finance and Risk Management has done so.

Discussion:

Finance and Risk Management solicited the necessary data from taxpayers, which have all voluntarily provided the required data. Using that data, Finance and Risk Management applied the statutory formula to recalculate values. Attached are details showing prior years' values and the proposed recalculated values for each year. Each company was provided the revised valuations, with the opportunity to sign an agreement to the valuations. All companies except one signed an agreement to the recalculations. The only company that did not respond is not a party to the litigation, had valuations for only one tax year, and will receive a refund of approximately $4,710. These recalculations will lead to refunds, which will be processed by Finance and Risk Management following Board approval.

Conclusion:

Recalculation of values is required by law and has been done in accordance with data provided by taxpayers and the statutory formula.

Recommendation:

Finance and Risk Management and the County Attorney's Office recommend approval of the recalculations as shown in the attached.

Fiscal Impact:

Refunds of property taxes will be paid. The Pima County portion of the refunds are estimated to be approximately $1,131,331.

Board of Supervisor District:

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☒ All

Department: Pima County Attorney's Office Telephone: 520-724-5700

Contact: Chief Civil Deputy Andrew L. Flagg Telephone: 520-724-5700

Department Director Signature/Date: ANDREW FLAGG 6/2/2020

Deputy County Administrator Signature/Date:

County Administrator Signature/Date:

Year	Parent Company	CVP FCV	Original tax	HB2493 FCV	Recalc Tax	FCV Accepted	Pima County Portion of Tax			
							PC Tax Rate	Original tax	Recalc tax	Difference
2015	Constellation Solar	1,930,118	60,258.83	468,976	14,509.81	Yes	5.6030	20,006.73	4,861.19	(15,145.54)
2015	DE LAGE LANDEN	1,073,315	25,854.75	107,137	2,580.88	Yes	5.6030	11,125.50	1,110.53	(10,014.97)
2015	NRG Energy	752,825	21,185.58	105,408	0.00	Yes	5.6030	7,803.45	0.00	(7,803.45)
2015	Solar City/Tesla	5,859,472	174,691.84	1,577,230	47,296.74	Yes	5.6030	60,736.65	16,348.86	(44,387.79)
2015	Sunnova	11,532	365.27	1,041	32.92	Yes	5.6030	119.54	10.79	(108.75)
2015	Sunrun	641,519	17,675.80	121,640	3,382.13	Yes	5.6030	6,649.70	1,260.87	(5,388.83)
		10,268,781	**300,032.07**	**2,381,432**	**67,802.48**			**106,441.57**	**23,592.24**	**(82,849.33)**
2016	Constellation Solar	5,156,323	154,826.74	785,893	23,732.38	Yes	5.5049	51,093.08	7,787.27	(43,305.81)
2016	DE LAGE LANDEN	1,035,083	23,939.43	107,137	2,477.91	Yes	5.5049	10,256.45	1,061.60	(9,194.85)
2016	NRG Energy	714,623	19,299.62	107,881	0.00	Yes	5.5049	7,081.07	0.00	(7,081.07)
2016	Solar City/Tesla	13,965,386	407,214.96	2,757,181	80,129.22	Yes	5.5049	138,380.50	27,320.41	(111,060.09)
2016	Sunnova	22,203	683.85	2,619	80.57	Yes	5.5049	220.01	25.95	(194.06)
2016	Sunrun	619,097	16,637.79	169,144	4,601.10	Yes	5.5049	6,134.52	1,676.02	(4,458.50)
2016	WGL Energy Systems	785,000	21,764.43	351,546	10,168.50	Yes	5.5049	7,778.42	3,483.41	(4,295.01)
		22,297,715	**644,366.82**	**4,281,401**	**121,189.68**			**220,944.05**	**41,354.66**	**(179,589.39)**
2017	Constellation Solar	6,142,563	182,969.49	1,232,984	35,901.96	Yes	5.6649	62,634.61	12,572.52	(50,062.09)
2017	DE LAGE LANDEN	1,007,248	24,539.12	109,915	2,677.98	Yes	5.6649	7,045.82	1,069.42	(5,976.40)
2017	NRG Energy	690,982	19,063.92	104,878	0.00	Yes	5.6649	225,351.03	40,815.90	(184,535.13)
2017	Solar City/Tesla	22,100,128	646,742.94	4,002,807	117,794.53	Yes	5.6649	784.49	73.85	(710.64)
2017	Sunnova	76,935	2,318.15	7,242	215.15	Yes	5.6649	8,574.00	2,456.86	(6,117.14)
2017	Sunrun	840,850	23,256.91	240,944	6,747.03	Yes	5.6649	7,729.19	3,584.65	(4,144.54)
2017	WGL Energy Systems	758,000	21,176.31	351,546	10,097.00	Yes	5.6649	322,389.86	61,693.98	(260,695.88)
		31,616,706	**920,066.84**	**6,050,316**	**173,433.65**			**634,509.00**	**122,267.18**	**(512,241.82)**
2018	Constellation Solar	8,863,834	248,515.92	1,210,229	34,016.48	Yes	5.2749	84,160.51	11,490.91	(72,669.60)
2018	DE LAGE LANDEN	969,980	22,341.99	111,052	2,558.00	Yes	5.2749	9,209.79	1,054.42	(8,155.37)
2018	Project Co Phase II	208,947	5,399.15	26,653	688.81		5.2749	1,983.91	253.07	(1,730.84)
2018	NRG Energy	586,477	15,733.63	105,539	0.00	Yes	5.2749	5,568.49	0.00	(5,568.49)
2018	Solar City/Tesla	31,791,724	896,475.81	4,731,361	134,193.94	Yes	5.2749	301,856.70	44,923.42	(256,933.28)
2018	Sunnova	41,590	1,206.87	6,905	197.21	Yes	5.2749	394.89	65.56	(329.33)
2018	Sunrun	1,481,908	39,937.11	330,256	8,976.53	Yes	5.2749	394.89	65.56	(329.33)
2018	WGL Energy Systems	731,000	19,644.03	351,546	9,667.35	Yes	5.2749	14,070.45	3,135.72	(10,934.73)
		44,675,460	**1,249,254.51**	**6,873,541**	**190,298.32**			**417,639.63**	**60,988.66**	**(356,650.97)**
	Total All Years	**108,858,662**	**3,113,720.24**	**19,586,690**	**552,724.13**		**Total All Years**	**1,379,534.25**	**248,202.74**	**(1,131,331.51)**

Total Net Tax Decrease **(2,560,996.11)**

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2015	Sunnova	11,532	1,041
2016	Sunnova	22,203	2,619
2017	Sunnova	76,935	7,242
2018	Sunnova	41,590	6,905

Pima County is recommending the total Full Cash Value (FCV) for tax years 2015 - 2018 be changed to the HB2493 FCV as shown above. This recommendation is conditioned upon review and approval by the Board of Supervisors (BOS) at a regularly scheduled Board meeting. Please indicate your acceptance of these recommended FCV's by signing below.

Tim Mathis
Print Name

VP - Tax
Title

Timothy D. Mathis
Signature

4-13-20
Date

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2015	Solar City/Tesla	5,859,472	1,577,230
2016	Solar City/Tesla	13,965,386	2,757,181
2017	Solar City/Tesla	22,100,128	4,002,807
2018	Solar City/Tesla	31,791,724	4,731,361

Pima County is recommending the total Full Cash Value (FCV) for tax years 2015 - 2018 be changed to the HB2493 FCV as shown above. This recommendation is conditioned upon review and approval by the Board of Supervisors (BOS) at a regularly scheduled Board meeting. Please indicate your acceptance of these recommended FCV's by signing below.

MICHAEL MCCRANY
Print Name

SR PROPERTY TAX MANAGER
Title

Signature

4/17/2020
Date

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2015	Sunrun	641,519	121,640
2016	Sunrun	619,097	169,144
2017	Sunrun	840,850	240,944
2018	Sunrun	1,481,908	330,256

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NEAL DIVVER
Print Name

SR DIRECTOR, TAX ACCOUNTING
Title

Neal Divver
Signature

4/10/2020
Date

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV	Taxable Value after Exemption	Notes	
2015	NRG Energy	752,825	105,408	0	PP Exemption claimed, aka Continental Energy, LLC & Vail Energy, LLC	(a)
2016	NRG Energy	714,623	107,881	0	PP Exemption claimed, aka Continental Energy, LLC & Vail Energy, LLC	(b)
2017	NRG Energy	690,982	104,878	0	PP Exemption claimed, aka Continental Energy, LLC & Vail Energy, LLC	(c)
2018	NRG Energy	586,477	105,539	0	PP Exemption claimed, aka Continental Energy, LLC & Vail Energy, LLC	(d)

(a) The personal property exemption for 2015 was $146,973 resulting in a taxable value of $-0-.
(b) The personal property exemption for 2016 was $152,296 resulting in a taxable value of $-0-.
(c) The personal property exemption for 2017 was $159,498 resulting in a taxable value of $-0-.
(d) The personal property exemption for 2018 was $167,130 resulting in a taxable value of $-0-.

Pima County is recommending the total Full Cash Value (FCV) for tax years 2015 - 2018 be changed to the HB2493 FCV as shown above. This recommendation is conditioned upon review and approval by the Board of Supervisors (BOS) at a regularly scheduled Board meeting. Please indicate your acceptance of these recommended FCV's by signing below.

Douglas S. John
Print Name

Attorney for Continental Energy and Vail Energy
Title

Douglas S. John
Signature

4/28/2020
Date

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2015	DE LAGE LANDEN	1,073,315	107,137
2016	DE LAGE LANDEN	1,035,083	107,137
2017	DE LAGE LANDEN	1,007,248	109,915
2018	DE LAGE LANDEN	969,980	111,052

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Douglas S. John
Print Name

Attorney, De Lage Landen
Title

Douglas S. J.
Signature

4/21/2020
Date

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2015	Constellation Solar Arizona	1,930,118	468,976
2016	Constellation Solar Arizona	5,156,323	785,893
2017	Constellation Solar Arizona	6,142,563	1,232,984
2018	Constellation Solar Arizona	8,863,834	1,210,229

Pima County is recommending the total Full Cash Value (FCV) for tax years 2015 - 2018 be changed to the HB2493 FCV as shown above. This recommendation is conditioned upon review and approval by the Board of Supervisors (BOS) at a regularly scheduled Board meeting. Please indicate your acceptance of these recommended FCV's by signing below.

Douglas S. John
Print Name

Attorney for Constellation Solar Arizona and Constellation Solar Arizona 2.
Title

Douglas S. John
Signature

4/28/2020
Date

PIMA COUNTY
FINANCE & RISK MANAGEMENT

April 7, 2020

WGL Energy
101 Constitution Ave. NW
Washington, DC 20080

Re: HB2493 Solar Assessments - Revaluation

Dear Taxpayer,

On August 27, 2019, HB2493 *Solar Energy Devices; Appraisal Methods* was enacted. This Bill changed Arizona law that applies to the calculation of the Full Cash Value (FCV) for solar energy equipment used for on-site consumption, which is considered to be Personal Property. The legislation not only changed the method of calculating the FCV going forward, but also provided for recalculation of the FCV for tax years preceding the effective date of the new law.

Pima County has completed the recalculation of valuations pursuant to HB2493 for solar energy equipment subject to the Bill and located in Pima County. The information relating to your property is attached. The FCV as computed under the prior law is in the column entitled "Current FCV." The recommended new FCV is in the column entitled "HB2493 FCV."

Legal Classification: all accounts 1.13 **Assessment Ratio:** TY2015=18.5 TY2016-2018=18.0%

We are recommending that the FCV be changed to the HB2493 FCV in the attached document. Please review the information provided in this letter and attachment, and if it meets with your approval, sign the enclosed Acceptance and Authorization and return it to my attention. If you have any questions with regard to the new valuation amounts, please contact Patti Davidson at (520) 724-3691 (patti.davidson1@pima.gov) or Eric Howard at (520) 724-9991 (eric.howard@pima.gov). If you have legal questions or concerns, please direct them to Andrew Flagg at the Pima County Attorney's Office, (520) 724-5761 or andrew.flagg@pcao.pima.gov.

This recommendation is conditioned upon review and approval by the Board of Supervisors at a regularly-scheduled Board meeting, and it is null and void in the event the Board of Supervisors does not give its approval. After receipt of the authorization, we will submit a request to have the matter placed on the next Board of Supervisors meeting agenda for its review and decision. If the Board approves the recommendation, we will proceed to recalculate tax bills and transmit to the Treasurer for the processing of any refunds.

Sincerely,

Michelle Campagne
Director, Finance and Risk Management

Enclosure (1)

Michelle Campagne, Director
130 W. Congress, 6th Fl. Tucson, Arizona 85701-1317 • Phone: 520-724-8410 • Fax: 520-770-4173

ACCEPTANCE AND AUTHORIZATION

Year	Parent Company	Current FCV	HB2493 FCV
2016	WGL Energy Systems	785,000	351,546
2017	WGL Energy Systems	758,000	351,546
2018	WGL Energy Systems	731,000	351,546

Pima County is recommending the total Full Cash Value (FCV) for tax years 2016 - 2018 be changed to the HB2493 FCV as shown above. This recommendation is conditioned upon review and approval by the Board of Supervisors (BOS) at a regularly scheduled Board meeting. Please indicate your acceptance of these recommended FCV's by signing below.

Gunnar Gode
Print Name

VP/Controller
Title

Signature

5/13/20
Date

PIMA COUNTY
FINANCE & RISK MANAGEMENT

April 7, 2020

TESLA
Attn: Michael McCrary
12832 S Frontrunner Blvd., Ste 100
Draper, UT 84020

Re: HB2493 Solar Assessments – Revaluation

Dear Taxpayer,

On August 27, 2019, HB2493 *Solar Energy Devices; Appraisal Methods* was enacted. This Bill changed Arizona law that applies to the calculation of the Full Cash Value (FCV) for solar energy equipment used for on-site consumption, which is considered to be Personal Property. The legislation not only changed the method of calculating the FCV going forward, but also provided for recalculation of the FCV for tax years preceding the effective date of the new law.

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Michelle Campagne
Director, Finance and Risk Management

Enclosure (1)

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130 W. Congress, 6th Fl. Tucson, Arizona 85701-1317 • Phone: 520-724-8410 • Fax: 520-770-4173

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MICHAEL MCCRANY
Print Name

SR PROPERTY TAX MANAGER
Title

Signature

4/17/2020
Date