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ARIZONA TAX RESEARCH ASSOCIATION

1814 WEST WASHINGTON STREET, PHOENIX ARIZONA 85007 • Telephone: (602) 253-9121
FAX: (602) 253-6719

Arizona Corporation Commission
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AZ CORP COMMISSION
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Arizona Corporation Commission
Power and Line Siting Committee
1200 W. Washington
Phoenix, Az 85007

Re: Case No. 105 - Santan Expansion Project

Dear Committee Members:

It is my understanding that some issues have been raised regarding the impact of adding the Santan Project to the property tax base in Gilbert, specifically related to school financing. I am submitting this affidavit to help clear up any questions which might exist on this subject. I hope this information will be helpful to the committee members.

Sincerely,

Kevin J. McCarthy
President

Original and 25 copies filed with Docket Control this 30th day of October, 2000.

Copies mailed this 30th day of October, 2000, to all parties of record.

AFFIDAVIT OF KEVIN McCARTHY

State of Arizona)
) ss.
County of Maricopa)

KEVIN McCARTHY, being first duly sworn, upon his oath deposes and states as follows:

1. That I am a resident of Gilbert and the President of Arizona Tax Research Association (ATRA), a nonprofit corporation that monitors Arizona tax laws and promotes efficiency and economy in Arizona governments. I am familiar with Arizona tax laws and school finance laws, and I am competent to testify to the statements made herein.

2. That I am aware that there have been some confusing statements regarding the plans of Salt River Project (SRP), one of ATRA's 400 members, to expand their power plant at the existing Santan site in Gilbert. Some concerned citizens in Gilbert have questioned whether the tax revenues generated by the Santan facility will benefit the community as much as the SRP has stated.

3. That I have reviewed SRP's figures, and I am convinced that SRP's statement that the Santan project will pay about $100 million in taxes over the next 21 years is correct. Reasonable estimates are that the Santan expansion plant will generate, over the next 21 years, over $31 million in tax revenues to the following sources:

- $8.9 million to Maricopa County
- $3.4 million to County Equalization for schools
- $8.2 million to the Town of Gilbert
- $7.8 million to the Maricopa Community College District
- $838,000 to the East Valley Institute of Technology
- $1.6 million to special districts including hospital, flood control and library districts

4. That the remaining $69 million ($3.3 million per year) of the $100 million will go to the Gilbert Unified School District (GUSD). Of the $69 million paid to GUSD, about $29 million will reduce the State Aid for Education and about $40 million will reduce the property tax burden of other taxpayers. While state law appropriately limits the amount schools can spend based on student enrollment and not property wealth, the added Santan value will benefit all taxpayers by spreading the tax burden for bond debt service and budget overrides.

5. That in the first year alone the Santan expansion is projected to drop the GUSD tax rate from the current $8.97 to $8.82, a reduction of $22.50 in annual property taxes for a home valued at $150,000. When the SRP plant is fully on-line in the sixth year those annual savings climb to $44.26.

6. That the added Santan value would also increase the GUSD's capacity to sell general obligation bonds. Under the new Student's FIRST law, GUSD's debt limitation was decreased from thirty percent of GUSD's net assessed value to ten percent. The Students FIRST law allows GUSD to sell "Class B" general obligation bonds to meet capital needs that exceed the minimum requirements now funded by the state. The added net assessed value of the Santan facility will increase GUSD's net assessed value and in turn increase its Class B bond debt capacity.

7. That the foregoing analysis relates to the property tax impact and does not address the additional state and county transaction privilege (sales), use and excise tax revenues and additional city transaction privilege tax revenues generated by the construction and operation of an expanded Santan plant.

Further affiant sayeth not.

Kevin J. McCarthy
KEVIN McCARTHY

State of Arizona)
) ss.
County of Maricopa)

On this the 23rd day of October, 2000, before me, Michele Irons, the undersigned notary public, personally appeared Kevin McCarthy, known to me to be the individual whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Michele Irons
Notary Public

My Commission Expires:

OFFICIAL SEAL
MICHELE IRONS
NOTARY PUBLIC - STATE OF ARIZONA
MARICOPA COUNTY
My Comm. Expires 11-22-00