




MEMORANDUM

Date: November 14, 2019

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Transportation Pay-as-you-go Funding Property Tax Limitation and Equity with City and Town Residents**

At the November 5, 2019 Board of Supervisors meeting, there was considerable discussion related to the limitation of property tax associated with General Fund transfers to the pay-as-you-go (PAYGO) program for road repair. In addition, questions arose regarding city and town resident property tax equity since the County's property tax is uniformly levied against all property owners whether they live in the unincorporated area or a city or town.

First, regarding property tax limitation, this is applied by Arizona Revised Statute 28-6712 that limits the amount of property tax levied for road purposes to \$0.25 per \$100. The one year in which the Board levied this property tax, it was not a separate tax, but a tax that was integral to the County primary property tax rate. The PAYGO program for road repair, as I indicated in oral discussion with the Board on this subject, was carefully developed to ensure the County at no time would exceed this limitation. This is possible because of the ramp up of property tax General Fund transfers to the PAYGO program.

Attached is a spreadsheet that shows this exceedance does not occur even when the transfer reaches its constant rate of \$25 million per year in Fiscal Year 2023/24. (Attachment 1) In 2023/24, the actual property tax yield for one-cent of property tax rate will yield slightly over \$1 million; hence, the limitation is not exceeded when the PAYGO property transfer reaches its maximum levy per year.

Regarding property tax equity, Attachment 2 is an October 25, 2019 memorandum from Assistant County Administrator Yves Khawam that discusses this issue. At my request, Dr. Khawam researched the amount of County Highway User Revenue Funds (HURF) through HURF bonds as well as principal and interest payments that have been spent in the County's municipalities or cities and towns since the 1997 HURF bond initiative. This amount is equal or exceeds \$173 million. In addition, the tax base for incorporated jurisdictions versus the unincorporated area is 58 percent incorporated 42 percent unincorporated.

The Honorable Chairman and Members, Pima County Board of Supervisors
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If the General Fund property tax contribution to the PAYGO road repair program is \$235 million then 58 percent of the amount is paid by incorporated residents or \$136 million, a smaller amount than the \$173 million contributed to cities and towns for transportation purposes from the County's HURF which was intended to be spent only in the unincorporated area of the County. Hence, there is no tax equity concern with city and town taxpayers in implementing the 10-year transportation road repair program that relies on PAYGO funding.

CHH/anc

Attachments

- c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco Garcia, MD, MPH, Deputy County Administrator and Chief Medical Officer,
Health and Community Services
Dr. Yves Khawam, Assistant County Administrator for Public Works

ATTACHMENT 1

General Fund PAYGO and Statutory Limit on Primary Property Tax Spending for Roads

Fiscal Year	Valuation	Actual vs. Projected	% Increase	Statutory Limit for Primary Levy for Roads (Valuation/100 x .25)*	GF PAYGO for Roads	Difference between Statutory Limit and GF PAYGO
2019-20	8,729,964,923	Actual	0.05	21,824,912.31		
2020-21	9,220,262,449	Projected	0.06	23,050,656.12	10,000,000	13,050,656.12
2021-22	9,599,633,472	Projected	0.04	23,999,083.68	15,000,000	8,999,083.68
2022-23	9,998,506,728	Projected	0.04	24,996,266.82	20,000,000	4,996,266.82
2023-24	10,384,094,457	Projected	0.04	25,960,236.14	25,000,000	960,236.14
2024-25	10,591,776,346	Projected	0.02	26,479,440.87	25,000,000	1,479,440.87
2025-26	10,803,611,873	Projected	0.02	27,009,029.68	25,000,000	2,009,029.68
2026-27	11,019,684,111	Projected	0.02	27,549,210.28	25,000,000	2,549,210.28
2027-28	11,240,077,793	Projected	0.02	28,100,194.48	25,000,000	3,100,194.48
2028-29	11,464,879,349	Projected	0.02	28,662,198.37	25,000,000	3,662,198.37
2029-30	11,694,176,936	Projected	0.02	29,235,442.34	25,000,000	4,235,442.34

*ARS § 28-6712