MEMORANDUM

Date: April 25, 2025

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

From: Jan Lesher
County Administrator

Re: **Transmittal of the Fiscal Year 2025/26 Recommended Budget**

Introduction

This Memorandum presents the Fiscal Year (FY) 2025/26 Recommended Budget for Pima County, which strategically allocates resources while maintaining fiscal responsibility. This budget includes the application of Board of Supervisors (BOS) policies:

- BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program
- BOS Policy D 22.13 - General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers
- BOS Policy D 22.14 - General Fund - Fund Balance

For FY 2025/26, the comprehensive budget includes $1,758,684,871 in expenditures, reflecting an increase of $32,191,612 or 1.9 percent compared to the FY 2024/25 Adopted Budget. The expenditure increases are distributed across all functional areas: General Government Services, Community and Economic Opportunity, Environmental and Public Health, Infrastructure Resources, and Justice and Public Safety.

It should be noted that the Governor and State Legislature have not adopted a State budget for FY 2025/26 as of the date of this Memorandum, which may have implications for the County's budget.

Drafts of the working budget, including budgets submitted by all County departments, are available on the County Budget website. These reports are regularly updated throughout the budget process and include the following:

- Recommended Summary by Object Reports for both revenues and expenditures;
- Recommended Detail Line Item by Unit Reports for revenues and expenditures;
- Recommended Positions by Unit.

These financial reports include actual revenue and expenses for FY 2023/24, Adopted Budget amounts for FY 2024/25, current year-to-date figures for FY 2024/25, and the Recommended Budget for FY 2025/26. Additionally, the reports include two columns of variances that highlight comparisons between the FY 2024/25 Adopted Budget and the FY 2025/26 Recommended Budget, as well as the FY 2024/25 Adopted Budget and the actual year-to-date revenues and expenditures for FY 2024/25.

2025/26 Recommended Budget, as well as the FY 2024/25 Adopted Budget and the actual year-to-date revenues and expenditures for FY 2024/25.

In addition to these reports, the County Budget website includes budget-related communications to the Board of Supervisors and County departments issued throughout the FY 2025/26 budget process. This information can be accessed on the County's home page (www.pima.gov) by clicking the County Budget link under the "Government" section.

Significant dates in the budget adoption and tax levy processes are as follows:

May 20, 2025	Tentative Budget Adoption (Sets Budget Ceiling)
June 17, 2025	Truth in Taxation Hearing (Pima County, County Free Library, and Regional Flood Control)
June 17, 2025	Final Budget Adoption
August 18, 2025	Tax Levy Adoption (Date set by state statute)

The documents listed below are attached to this budget Memorandum:

- Budget schedules detailing fund balances, expenditures, revenues, transfers, and other financing sources.
- A summary of each department's budget, including a description of the budget at the program level.

The Recommended Budget for FY 2025/26 represents a strategic approach to financial management, blending continuing and expanded initiatives with fiscal prudence. It reflects our commitment to maintaining stability for County residents and employees while maintaining a solid financial foundation. This process involved scrutinizing expenses, exploring avenues for revenue enhancement, and reassessing the County's spending priorities. Multiple updates were provided at Board of Supervisors meetings during the budget preparation process. As mentioned during the budget development process, any additional savings derived in future period forecasts will be set aside as contingency as added protection against the ongoing uncertainty at the federal and state level with respect to the County's overall grant portfolio.

Table of Contents

I. OVERVIEW OF RECOMMENDED BUDGET

The Recommended Budget for FY 2025/26 reflects a strategic approach to financial management. Developed in the context of ongoing economic uncertainty, this budget is built on a framework that carefully weighs the County's critical needs. As the economy faces challenges as noted in the latest Economic Decision Guide Update, we must remain focused and proactive in navigating these uncertain times. The recommendations prioritize the continued delivery of essential services, strategic investments in core areas, and long-term financial stability. The recommended FY 2025/26 expenditure budget is $1,758,684,871, representing an increase of $32,191,612, or 1.9 percent, compared to the FY 2024/25 Adopted Budget.

To optimize the use of County funds and promote transparency throughout the budget process, all departments were provided with a base budget equivalent to the current fiscal year's allocation. Requests exceeding this base amount were required to be submitted as supplemental requests. These requests were evaluated based on priority areas of greatest need, as well as the maintenance or expansion of existing resources and assets. Departments collectively submitted over $70.1 million in additional funding requests, of which nearly $67.2 million was incorporated into the Recommended Budget including $17.3 million in the General Fund. The Board of Supervisors received presentations on the supplemental requests during multiple Board meetings.

In response to the recent freeze on federal grant funding and the approaching conclusion of American Rescue Plan Act (ARPA) grant programs, the Recommended Budget for FY 2025/26 takes a cautious and strategic approach. Grant-funded expenditures have been reduced, and the budget prioritizes essential services while limiting new or expanded initiatives that depend heavily on federal resources. Our primary goal is to preserve operational continuity while maintaining flexibility to adapt as more information becomes available. To support this approach, $65 million has been allocated to the Finance Grants Contingency Fund to accommodate potential new or emergency grants. In addition, the Other Special Revenue Fund includes $40 million in contingency spending authority to respond to unforeseen events.

As with previous budgets, the County anticipates continued State cost shifts as the State transfers additional financial responsibilities to counties. As previously noted, the State budget for FY 2025/26 has not yet been adopted by the Governor and the State Legislature. This year, the State is under increased financial strain, as are others, due to federal funding freezes and the potential impact of tariffs. The final State budget could impact the County's budget and may require future adjustments.

Like many organizations in the region, Pima County has carefully considered the current economic climate in this budget year, which remains uncertain due to fluctuating economic activity, freezing of federal funds, and the potential impacts of tariffs. These factors contribute to financial unpredictability and reinforce the need for a fiscally cautious approach to budget development, similar to what was done in development of the current year's budget. Recognizing these challenges, the Recommended Budget adopts a modest and disciplined financial approach that focuses on allocating limited resources deliberately. This includes limiting the creation of new programs while prioritizing the maintenance and careful, targeted expansion of existing resources and assets. In total, the budget represents an investment of nearly $67.2 million in recommended supplemental requests, including $17.3 million in the General Fund.

As part of this resource prioritization, retaining and supporting the County workforce remains a top priority to ensure high-quality service delivery and operational continuity. To support this, the Recommended Budget includes a total compensation adjustment of 5 percent of which 3.6 percent is to be provided to all employees in July 2025, followed by an additional 1.4 percent in January 2026. This adjustment represents a $22.8 million investment in employee compensation, with $15.7 million allocated from the General Fund. This investment builds on the foundation established by the Classification and Compensation Study completed in FY 2023/24 and helps ensure Pima County remains a competitive and attractive employer.

The careful planning and strategic allocation of resources are critical to addressing the economic headwinds impacting the County's financial landscape and ensuring long term fiscal sustainability. BOS Policy D 22.14, General Fund – Fund Balance, provides for a sufficient reserve to safeguard against extreme and unforeseen financial emergencies. The policy sets a target level for the unrestricted fund balance within the General Fund at 17 percent of the previous year's audited operating expenditures. As we continue to navigate a period of economic uncertainty marked by the potential impacts of tariffs and broader economic volatility, it is essential that we maintain a balanced and flexible fiscal strategy. To strike an appropriate balance between long-term financial stability and near-term community needs, the Recommended Budget proposes an adjustment to the reserve requirement, lowering it from 17 percent to 15 percent of the previous year's audited operating expenditures. This measured reduction allows for strategic reinvestment in critical services and infrastructure, helps alleviate pressure on the property tax rate, and still preserves a strong reserve position that safeguards the County's fiscal health and creditworthiness.

BUDGET RECOMMENDATIONS

FY 2025/26 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2024/25 is $117,766,104. This amount represents the beginning fund balance for FY 2025/26 as stated in the Financial Forecast – February 2025 Period 8 Memorandum dated April 11, 2025.

- The FY 2025/26 Recommended Budget incorporates BOS Policies D 22.12, D 22.13, and D 22.14, and includes a $0.0356 primary property tax increase to support County operations, resulting in a General Fund primary property tax rate of $4.2299 per $100 of net assessed value.

- General Fund revenues and transfers-in are projected to total $829,968,682, an increase of $55,691,186, or 7.19 percent, over the current year.

- General Government Revenues from all sources, excluding primary property taxes, are projected to increase by $11,278,265, primarily due to an increase in State Shared Sales Tax and Vehicle License Tax revenues.

- The net primary property tax base is projected to increase by 4.92 percent, marking the eleventh consecutive year of growth after the County's primary net assessed value decreased by 15.9 percent from FY 2010/11 to FY 2014/15 following the Great Recession. The property tax base is projected to increase modestly over the next few years.

- General Fund primary property tax revenues from all sources are projected to increase by $38,099,353 at the recommended tax rate. Primary property tax revenues differ from the tax levy due to the impact of actual property tax collection rates, delinquent property taxes collected, and associated penalties and interest on delinquent property taxes.

- The General Fund expenditures and transfers-out for the FY 2025/26 Recommended Budget amount to $947,334,786, representing a $47,722,092 or 5.30 percent increase from the current year's adopted budget.

- Existing State budget cost shifts for FY 2025/26 have an annual budget impact of $125,898,413, accounting for 25.7 percent of the recommended General Fund primary property tax rate of $4.2299.

- As stated previously, the Recommended Budget proposes an adjustment to the reserve requirement, lowering it from 17 percent to 15 percent of the previous year's audited operating expenditures, in accordance with BOS Policy D 22.14. Based on this adjustment, the recommended General Fund Budget Reserve totals $92,022,910 equivalent to 15 percent of the prior year's General Fund audited operating expenditures.

- The FY 2025/26 Recommended Budget for the Library District, including operating costs, grants, and operating transfers-out, is set at $82,726,293, representing an increase of $20,522,425 from the current year. Due to the application of BOS policy D 22.13, the secondary property tax rate is proposed to increase from $0.5537 in FY 2024/25 to $0.5579 per $100 of net assessed value.

- The FY 2025/26 Recommended Budget for the Debt Service fund is $105,877,442, a $2,026,141 increase from the current year. The Recommended Budget proposes reducing the secondary property tax rate from $0.1250 in FY 2024/25 to $0.1150 per $100 of net assessed value, resulting in a $0.0100 decrease in the tax rate.

- The FY 2025/26 Recommended Budget for the Regional Flood Control District, including operating costs, grants, and operating transfers-out, is set at $38,434,199, representing an increase of $1,289,647 from the current year, which includes an increase of $2,088,098 in the secondary property tax levy. The secondary property tax rate for

Regional Flood Control would increase from $0.3271 in FY 2024/25 to $0.3289 per $100 of net assessed value.

- The recommended combined primary and secondary County property tax rate (excluding the Fire District Assistance Tax) is proposed to be $5.2317 per $100 of net assessed value, which is an increase of $0.1269 compared to FY 2024/25. This results in a combined County levy (excluding the Fire District Assistance Tax) of $614,557,614, representing an increase of $43,328,979 from the current year. Below is the historical combined Pima County property tax rate for the last five years (excluding the Fire District Assistance Tax) as well as the recommended combined County Property tax rate for FY 2025/26:

  - FY 2020/21 $5.3108
  - FY 2021/22 $5.1952
  - FY 2022/23 $5.0652
  - FY 2023/24 $5.1048
  - FY 2024/25 $5.1048
  - FY 2025/26 $5.2317

- During this budget cycle, departments submitted over $70.1 million in supplemental funding requests. Of those requests, almost $67.2 million is included in the Recommended Budget, with $17.3 million coming from the General Fund.

- The combined total recommended County expenditure budget for FY 2025/26 amounts to $1,758,684,871, reflecting an increase of $32,191,612, or 1.9 percent, compared to the current year's Adopted Budget.

II. AREAS OF FOCUS

This section provides a summary of the major issues that have a significant impact on Pima County's FY 2025/26 Recommended Budget. More detailed information can be found in various memoranda available on the County Budget website under the County Administrator Memoranda FY 2025/26 page.

A. Effectively Manage Core Functions and Provide Excellent Service to Pima County Residents

Maintaining financial stability is crucial in the face of uncertain economic conditions. The FY 2025/26 Recommended Budget incorporates several Board of Supervisors (BOS) policies to ensure financial stability, including:

- BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program supports the transition from voter-authorized general obligation bond funding of capital improvement projects to a pay-as-you-go approach within the General Fund. This policy will result in a $0.0009 increase in the tax rate and, when combined with growth in net assessed value, it is projected to generate an additional $23.0 million in primary property tax revenue. The FY 2025/26 Recommended Budget proposes allocating the total amount of $53.2 million in PAYGO funds to Transportation ($25.0 million), Affordable Housing ($5.0 million), Open Space ($2.2 million), and County renewal projects ($2.0 million), with the remaining balance directed toward prior-year capital debt expenditures ($19.0 million).

- BOS Policy – D 22.13 General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers evaluates and discloses the annual primary or secondary property tax levy for funding increased expenditures due to the State Legislature Cost Shifts. The FY 2025/26 Recommended Budget includes an increase in costs shifted to the County by the State of $11.8 million, which equates to an increase in the total property tax rate of $0.1004 and a total property tax revenue increase of $34.8 million when combined with the PAYGO policy.

- BOS Policy D 22.14, General Fund – Fund Balance, establishes a target level for the unrestricted fund balance within the General Fund at 17 percent of the previous year's audited General Fund operating expenditures. To help alleviate pressure on the property tax rate and still preserve a strong reserve position that safeguards the County's fiscal health and creditworthiness, the FY 2025/26 Recommended Budget incorporates an adjustment to the reserve requirement, reducing it from 17 percent to 15 percent of the previous year's audited operating expenditures.

B. Prioritize Critical Infrastructure and Economic Growth

The FY 2025/26 Recommended Budget continues the County's investment in enhancing individual and community prosperity, as well as environmental sustainability and conservation. It also emphasizes the importance of maintaining critical infrastructure, delivering necessary services and benefits to the community while also expanding the availability of affordable housing and open space. The County relies on critical infrastructure to support daily operations and provide essential services, while its investment in open space offers environmental, social, and economic benefits. The FY 2025/26 Recommended General Fund Budget includes $5 million for affordable housing, $2.2 million for open space acquisitions and associated operations, and continued application of BOS Policy D 22.12 – PAYGO, which supports the funding of various infrastructure and road projects. In addition, the FY 2025/26 Recommended Capital Improvement Plan totals $202,000,562, with significant investments in critical County infrastructure across multiple departments. A departmental allocation is shown in Table 6 of this Memorandum, and a comprehensive list of projects is available in the Capital Projects section of the Recommended Budget Book.

C. Improve the Quality of Life for Pima County Residents

The FY 2025/26 Recommended Budget continues to allocate resources aimed at enhancing the quality of life for County residents. These investments support access to healthcare, education, and improvements in justice system services by contributing to the overall health, wellbeing, and prosperity of the community. The Recommended Budget includes continued funding of $10 million for the Pima Early Education Program Scholarships (PEEPs), $3 million for the Emergency Eviction Legal Services (EELS) program, and $8 million in opioid settlement funds to support Health Department programs addressing community health needs, in support of the Pima County Prosperity Initiative. Prioritizing quality of life for County residents remains a guiding principle in our budget decisions.

D. Allocating State Cost Shifts

Over the years, Pima County observed a growing trend of the State shifting financial responsibilities onto the County. This practice significantly affects the County's ability to use collected property tax revenues to maintain adequate funding for County services. Since FY 2014/15, the County has incurred an additional $47.6 million in costs imposed by the State, with the majority of these increases occurring in the past four fiscal years FY 2021/22 through FY 2024/25.

The FY 2025/26 Recommended Budget adheres to BOS Policy D 22.13 and proposes to offset $11.8 million in increased costs shifted by the State by raising the tax rate by 0.1004 cents. As shown in Table 1 below, the two main drivers of these increases are the Arizona Long Term Care System and changes in Class 1 assessment ratios.

Table 1: State Cost Transfers to Pima County

Description	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26 Proposed
Arizona Long Term Care System	$ 44,073,400	$ 54,350,500	$ 56,396,600	$ 62,975,600	$ 63,729,700
Superior/Juvenile Court – Salaries and Benefits	19,650,085	21,715,002	21,052,306	21,849,323	21,527,842
Arizona Health Care Cost Containment System	16,670,600	16,766,300	16,920,700	17,024,100	17,107,500
Class 1 (commercial property) assessment ratio from 18.0% to 16.0%	-	3,887,303	8,034,147	11,648,405	15,486,019
Behavioral Health System-State Contribution	3,064,936	3,046,936	3,064,932	3,064,936	3,064,936
Justice Courts - JP Salaries and Benefits	1,794,747	2,009,042	1,958,304	1,825,689	2,529,872
State Juvenile Detention Shift	1,726,800	1,726,000	-	-	-
Restoration to Competency	979,699	1,306,973	1,329,426	1,094,665	1,224,801
Constables Salaries and Benefits	1,124,712	1,066,937	1,020,736	1,129,870	1,017,720
Superintendent of Schools Accommodation District	591,446	391,610	340,375	466,729	-
Arizona Department of Revenue Operating Cost Shift	780,558	159,108	192,825	210,023	210,023
Total	**$ 90,456,983**	**$ 106,425,711**	**$ 110,310,351**	**$ 121,289,341**	**$ 125,898,413**

The shifting of the State of Arizona's budgeted costs to Pima County continues to adversely impact the County's programs and services. The expected FY 2025/26 State cost shifts amount to $125.9 million, equivalent to 25.7 percent of the suggested General Fund primary property tax rate. These additional costs would be recovered through a property tax rate increase in the FY 2026/27 Budget cycle, per BOS Policy D22.13.

E. Being an Employer of Choice

Attracting and retaining top talent remains a top priority and is crucial to the success of our operations. The County has made significant investments in its workforce, most notably through the recent implementation of the Classification and

Compensation Study in FY 2023/24. Offering competitive compensation packages and comprehensive benefits ensures that the County remains an attractive place to work and build a career. The FY 2025/26 Recommended Budget continues this commitment with a 5 percent compensation adjustment of 3.6 percent effective in July 2025 and an additional 1.4 percent in January 2026. This represents a total compensation investment of $22.8 million, with $15.7 million allocated to the General Fund. These investments support our ongoing efforts to position the County as an employer of choice, helping us achieve our organizational goals and effectively serve our community.

F. Providing Employee Benefits

This year, budgeted benefits increased only slightly from $188.4 million in the FY 2024/25 Adopted Budget to $188.5 million in FY 2025/26, a change of approximately $100,000. The most significant benefit cost increase occurred in the employer's share of health insurance premiums, which rose by $3.8 million. This increase was largely offset by reductions in retirement rates, as shown in the table below. The most significant retirement cost decreases were in the Arizona State Retirement and Public Safety Retirement plans, which declined by $2.9 million and $1.1 million, respectively. The Board of Supervisors approved the Pima County Health Care Benefits Trust Fund rates on December 17, 2024. For additional information, please refer to the December 17, 2024, Medical Insurance for County Employees – Fiscal Year 2025/26 Memorandum.

Six retirement plans cover almost all of our employees. Each plan has multiple tiers based on the year an employee entered the retirement system. The table below shows the percentage Pima County contributes for each covered employee in the various retirement plans and the change from the prior year.

Table 2: Retirement Contribution Rates

Retirement Plan	FY 2024/25	FY 2025/26	% Change
Arizona Retirement System	12.27%	12.00%	-0.27%
Public Safety Retirement System*	35.02%	33.67%	-1.35%
Corrections Officers Retirement System*	14.28%	14.90%	0.62%
County Attorney Investigator Retirement*	59.90%	37.05%	-22.85%
Elected Official Retirement System	70.44%	70.70%	0.26%
Admin Office of the Court Retirement System*	42.39%	40.90%	-1.49%

* Each of these plans has multiple tiers and rates. The listed rate is for our newest employees.

G. Managing County Staffing

The overall County workforce has decreased by 1,382 Full-Time Equivalents (FTEs), or 16.5 percent, from its peak in FY 2007/08, when budgeted FTEs totaled 8,396.

For FY 2025/26, the total number of budgeted FTEs has decreased by 92 compared to FY 2024/25.

On April 16, 2024, the Board of Supervisors adopted BOS Policy D 22.16 – Vacant Positions, which establishes guidelines for managing vacant positions. The policy was created to strengthen fiscal oversight and improve the management of vacancies across departments. Under this policy, positions that have been vacant for more than 240 days are subject to elimination, with exceptions made for those currently in recruitment or appealed for programmatic reasons. For FY 2024/25, a total of 30 positions have been eliminated, resulting in an estimated ongoing savings of $815 thousand. Additionally, the total FTE count was reduced due to adjustments in the new ERP system related to the handling of multi-fill positions, such as Elections Aides. These adjustments are reflected in the FY 2025/26 Recommended Department Budgets.

Table 3: Total Budgeted FTE Positions, FY 2018/19 Adopted Budget through FY 2025/26 Recommended Budget			
Fiscal Year	**Budgeted FTEs**	**Change in Budgeted FTEs**	**Cumulative Change in Budgeted FTEs**
2018/19	7,129		
2019/20	7,112	(17)	(17)
2020/21	6,840	(272)	(289)
2021/22	6,995	155	(134)
2022/23	7,219	224	90
2023/24	7,100	(118)	(28)
2024/25	7,106	6	(22)
2025/26	7,014	(92)	(114)

III. GENERAL FUND ENDING FUND BALANCE FOR FY 2024/25

The recommended General Fund ending balance for FY 2024/25 is projected to be $117,366,104, resulting from decreased expenses and higher-than-anticipated general government revenues. This amount represents an increase of $19,420,338 over the FY 2024/25 budgeted General Fund Reserve of $97,945,766, equivalent to 17 percent of the FY 2022/23 General Fund audited operating expenditures, in accordance with BOS Policy D 22.14. The ending fund balance will be the FY 2025/26 Beginning Fund Balance.

To review the recommended uses of the projected June 30, 2025, General Fund ending balance, please refer to the Budget Recommendations section within this Memorandum's Overview of Recommended Budget section. This available balance will be allocated towards the General Fund Reserve, one-time allocations, and departmental budget increases as recommended.

IV. GENERAL FUND SUBMITTED BASE BUDGET FOR FY 2025/26

A. General Fund Base Budget Revenues

The FY 2025/26 Recommended Budget Framework and General Fund revenues are impacted by several existing BOS policies, including:

- BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program
- BOS Policy D 22.13 - General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers
- BOS Policy D 22.14 - General Fund - Fund Balance

Applying these policies increases the recommended primary property tax rate by $0.0953 from $4.0990 in FY 2024/25 to $4.1943 for FY 2025/26 per $100 of taxable net assessed value.

Below is a brief discussion of each projected General Fund base revenue category.

1. General Government Revenues Other Than Property Taxes

The projected base budget for FY 2025/26 anticipates General Government revenues, excluding primary property taxes, to be $303,988,797, representing a 3.9 percent increase of $11,278,265 compared to the current year's Adopted Budget.

The primary source of revenue in this category is the State Shared Sales Tax, which is expected to increase by $5.1 million, or 2.81 percent, to $187.1 million. Additionally, Vehicle License Tax is increasing by $233 thousand, or 1.0 percent, to $37.0 million. These projections are based on taxable sales by the University of Arizona Economic and Business Research Center and the Arizona Joint Legislative Budget Committee. While we are experiencing a slight increase in revenue, it is essential to recognize that economic uncertainties persist, and an economic downturn may negatively impact these revenue collections.

2. Primary Property Tax Revenues

a. Annual Five-percent Cap on Taxable Net Assessed Value Increases

In 2012, Arizona voters approved a Constitutional amendment that substantially limits future overall appreciation of the existing property tax base. The amendment enforces a five percent ceiling on the rise of taxable net assessed value from one year to the next, whereas previously, the increase in taxable net assessed value was determined by the market.

b. Primary Property Tax Revenues

For FY 2025/26, the taxable net assessed value amounts to $11.81 billion, indicating a net gain of $554.0 million or 4.92 percent from the current year. This increase marks the eleventh consecutive year of growth in taxable net assessed value. The market value of existing property is expected to rise by approximately 2.91 percent in FY 2025/26, while new construction will add about 1.96 percent to the property tax base.

To continue the PAYGO program for road repair and other capital projects, cover state cost transfers to the County, and maintain the targeted unrestricted General Fund balance, it is recommended that the County's General Fund primary property tax rate be raised to $4.2299 for every $100 of taxable net assessed value. This rate will produce a General Fund primary levy of $499.5 million, representing a $38.2 million or 8.27 percent increase from the amount levied in the Adopted Budget of the FY 2024/25 year.

In addition to collecting current-year property taxes, the County also receives revenues from the payment of delinquent property taxes from prior years, along with associated interest and penalties. Combined with the projected primary property tax collection for the next fiscal year, the total base General Fund property tax revenues expected for FY 2025/26 are $502.2 million. This amount represents $38.1 million, or 8.21 percent more than the total General Fund primary property tax revenue approved in the FY 2024/25 Adopted Budget. The difference between the levy amount and the revenue collected is due to additional revenue generated from delinquent taxes, penalties, and interest from previous years, partially offset by accounting for a current year collection rate of less than 100 percent for this year's primary levy.

The State Truth in Taxation statute determines the County's neutral primary property tax levy and the corresponding tax rate each year. The neutral levy and tax rate are defined as the previous year's levy plus the additions to the tax base from new construction. As per the statute, the County's neutral primary tax rate for FY 2025/26 is $3.9831 for every $100 of taxable net assessed value, which is $0.2468 less than the recommended General Fund primary tax rate of $4.2299, resulting in a difference of $29.1 million or 6.20 percent in levy amount. If the Board approves the recommended primary tax rate, the County is required to hold a Truth in Taxation hearing before finalizing the budget adoption. This year will be the seventh consecutive year such a hearing will be held.

The benchmark set by the State Truth in Taxation statute is more stringent than the County's Maximum Allowable Primary Levy Limit, which is linked to a moderate annual inflation rate of two percent as stipulated in the Arizona Constitution. As per the Maximum Allowable Primary Levy Limit, the County can increase its primary rate to $4.6758, which is $0.4459 higher than the recommended General Fund rate. Consequently, the constitution-imposed levy limit is $552.1 million, surpassing the recommended primary property tax rate by $52.6 million or 10.5 percent.

3. Departmental Revenues

For FY 2025/26, expected base budget changes in General Fund departmental revenues are projected to total $38.7 million, representing a net increase of $6.8 million over the current year's budget. The most notable increases in base General Fund departmental revenues are in the Recorder's and Elections departments, which increased by $5.1 million and $1.5 million, respectively. These increases are due to a special state election, for which the departments will receive reimbursement.

B. General Fund Submitted Base Budget Expenditures (Before recommended adjustments)

The General Fund supported base budgets for expenditures and transfers out require total funding of $819,184,406 in FY 2025/26. This amount is derived by adjusting the FY 2024/25 adopted departmental budgets to account for increased benefit costs, internal service fund and administrative overhead charges, grant matches, base cost impacts in accordance with Board-adopted budget policies and prior Board directives, as well as reductions in one-time expenditures from the current year. Further details on specific base expenditure adjustments can be found in the individual department analyses attached.

V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES

A. Fiscal Strength and Stability

As mentioned in the "Areas of Focus" section, the FY 2025/26 Recommended Budget prioritizes financial stability considering ongoing economic uncertainty, including the potential impacts of tariffs and broader economic volatility. The recommended adjustments below illustrate the proactive measures being taken to achieve this objective:

- General Fund Budget Reserve: A reserve of $92,022,910 representing 15 percent of the previous year's General Fund audited operating expenditures is included, in accordance with BOS Policy D 22.14. To help alleviate pressure on the property tax rate and still preserve a strong reserve position that safeguards the County's fiscal health and creditworthiness, the reserve requirement has been lowered from 17 percent to 15 percent. This reserve ensures the County maintains an adequate fund balance to protect its credit ratings and provides one-time funds for unforeseen emergency expenditures.

- BOS Policy D 22.12 – General Fund Capital Improvement Fund Pay-As-You-Go (PAYGO) Program: This policy supports the transition from voter-authorized general obligation bond funding to a pay-as-you-go model for capital improvement projects within the General Fund. The FY 2025/26 Recommended Budget generates $53.2 million through this program of which $34.2 million will fund Transportation, Affordable Housing, Open Space, and County renewal projects. The remaining $19.0 million will be allocated to prior-year capital debt expenditures.

- A $3,139,164 general contingency allocation is included to provide flexibility in addressing immediate and unforeseen economic pressures that result in operational needs that may arise during the fiscal year.

B. <u>Employer of Choice</u>

The FY 2025/26 Recommended Budget is built on the importance of retaining essential personnel. To support this effort, the budget includes a 5 percent salary increase, with 3.6 percent effective in July 2025 and an additional 1.4 percent in January 2026 totaling a $22.8 million compensation investment, of which $15.7 million is in the General Fund. This investment supports the continued implementation of the Classification and Compensation Study conducted in FY 2023/24 and underscores the County's commitment to being an attractive workplace that fosters career development.

C. <u>Supplemental Increases</u>

To promote transparency in the budget process and ensure the effective allocation of limited General Fund resources, any budget request exceeding the FY 2024/25 budgeted amount must be submitted as a supplemental request. This requirement excludes increases related to administrative overhead, internal service fund charges, and benefits. Accordingly, the FY 2025/26 Recommended Budget includes $17,340,708 in recommended General Fund supplemental requests, which were allocated based on priority areas of greatest need, as well as the maintenance or expansion of existing resources and assets. For a comprehensive list of the recommended supplemental requests, please see Section 11 of the Recommended Budget.

Table 4: Recommended Adjustments to FY 2025/26 Submitted Base Expenditures and Operating Transfers-out	
Proposed FY 2025/26 Base Expenditures and Operating Transfers-out	**$819,184,406**
General Fund Budget Reserve	92,022,910
Supplemental Increases	17,340,708
5 Percent Class and Compensation Investment	15,647,598
General Contingency	3,139,164
Total FY 2025/26 Recommended Expenditures and Operating Transfers-out	**$947,334,786**

The Recommended General Fund budget totals $947,334,786, which includes $817,156,515 in expenditures and $130,178,271 in operating transfers-out to other County departments and funds.

VI. THE OVERALL BUDGET

A. Special Districts and Debt Service

1. County Library District

The Library District is funded by a dedicated secondary property tax and provides services to the entire County. The FY 2025/26 budget for the Library District includes the operation of 26 branches, a Main Library, a nonprofit support center, a bookmobile, and a range of online services. These online services include a dynamic web portal, "Ask a Librarian," Infoline, online homework assistance, employment and career resources, full-text magazines, journal articles, downloadable e-books, audiobooks, videos, and music.

The Library's collection comprises 1.2 million cataloged items expected to be borrowed 7 million times within a year. Additionally, it provides 1,400 computers that generate 1.5 million computer sessions used by the public.

The County Library District property tax base has increased for the tenth consecutive year, with a projected increase of 4.92 percent in FY 2025/26 due to the increase in the net assessed values.

The FY 2025/26 Recommended Budget for operating costs, grants, and operating transfers-out is $82,726,293. The budget will cover increased operating expenses, including salaries and benefits, support of the Pima Early Education Program (PEEPs), other internal service charges, and maintenance costs.

For the sixth consecutive budget year, $0.0400 of the Library tax rate is dedicated to Library Pay-As-You-Go Capital Improvement. Seven PAYGO Library Capital Improvement Projects are scheduled for FY 2025/26, along with ongoing upgrades to library interiors, exteriors, parking lots, and electric vehicle charging stations.

The Library's capital improvement projects include the Joel Valdez Main Library Renovation and expanding and renovating the Richard Elias - Mission Library and the Himmel Library. Furthermore, improvements to the library network and community broadband access are included in the plan.

In FY 2021/22, the County initiated the Pima Early Education Program with the aim of increasing the enrollment of income-eligible 3- to 5-year-old children in evidence-based high-quality preschools. The program was funded by the American Rescue Plan Act through FY 2024/25 and will be funded by the Library District beginning in FY 2025/26. An analysis of the Library District's current five-year projection shows that sufficient funding is available to support the PEEPS program's annual $10 million allocation throughout the timeframe.

The Library District's secondary property tax rate for FY 2025/26 is recommended to be set at $0.5579 per $100 of taxable net assessed value, representing a $0.0042 increase from the previous year. This increase is due to the application of BOS Policy D 22.13 – State Cost Shifts, specifically the continued revenue reductions related to the Class 1 assessment ratio. This proposed tax rate is expected to generate $65,465,806 in revenue and an additional projected $2,901,641 from fines, interest, grants, and other miscellaneous sources.

2. <u>Regional Flood Control District</u>

The Regional Flood Control District (RFCD) property tax base is projected to increase for the tenth consecutive year, with a 5.65 percent rise in taxable net assessed value expected for FY 2025/26.

In addition, the recommended RFCD budget for the upcoming fiscal year includes operating transfers-out of $20,054,704, which marks an increase of $2,621,436 compared to the current year. These transfers include the following:

- $17,000,000 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program
- $1,301,392 transfer of grant funding to the Capital Projects Fund for the El Vado Storm Sewer and Canyon del Oro Levee Augmentation
- $1,150,000 transfer to the Capital Projects Fund to fund the Altar/Brawley Erosion Protection Project and the Riparian Mitigation Project Acquisition Fund
- $189,602 transfer to the Stadium District for operating and maintenance costs of the Kino Environmental Restoration Project
- $192,614 transfer to Grants for matching funds requirements
- $141,096 transfer to the Debt Service Fund for the ERP system replacement

- $80,000 in funding for the County's Native Plant Nursery

The Regional Flood Control District's FY 2025/26 secondary property tax rate is recommended to be $0.3289 per $100 of taxable net assessed value, representing a $0.0018 increase from the previous year. This increase is due to the application of BOS Policy D 22.13 – State Costs Shifts, specifically the continued revenue reductions related to the Class 1 assessment ratio.

3. Debt Service Fund

The FY 2025/26 Recommended Budget for the Debt Service Fund totals $105,877,442, reflecting a $2,026,141 increase from the current fiscal year. This fund covers payments on the County's various debts, such as General Obligation, Street and Highway Revenue Bonds, Certificates of Participation, and Pledged Revenue Obligation. Most of these debts are relatively short-term and must be repaid within fifteen years.

a. General Obligation Debt Service

The County's General Obligation Debt Service is funded by a secondary property tax levy. Since the inception of the 1997 Bond Program, the debt service for new bond sales backed by the secondary tax levy has been balanced by ongoing reductions in debt service for outstanding bonds. The retirement of the 1997 bonds led to the issuance of new debt for 2004, 2006, and 2014 bonds. The final General Obligation Bond Authorization was issued in FY 2016/17. All General Obligation debt is expected to be paid in full by FY 2028/29.

The recommended FY 2025/26 tax rate is $0.1150 per $100 of taxable net assessed value, a decrease of $0.0100 from FY 2024/25. This reduction aligns with BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program. The recommended debt service budget of $15,324,707 for FY 2025/26 is for the existing debt service.

b. Street and Highway Revenue Debt Service

The 1997 Transportation Bond authorization provides for the sale of Street and Highway Revenue bonds, with the debt service repaid from the HURF revenues the Transportation Department receives from the State of Arizona. The recommended debt service amount for Street and Highway Revenue Bonds in FY 2025/26 is $8,248,007, representing a $1,150 decrease from the current fiscal year.

c. Certificates of Participation Debt Service

The County's Certificates of Participation (COPs) debt service amount for FY 2025/26 is recommended to be $54,336,721, an increase of $1,580,851 compared to the previous year. This debt service includes the COPs issued in prior years for the construction or acquisition of various County facilities such as the Office of the Medical Examiner, the Public Service Center and Parking Garage, the Historic Courthouse, Kino South Sports Complex, the Defense Services Building, Valencia Road Bridge and the Transportation Road Repair and Pavement Preservation Program. It is important to note that the COPs debt service is not paid from the General Obligation debt service tax levy but from other available funds, such as the General Fund, PAYGO, Parking Garage and Stadium proceeds, Impact Fees, etc.

d. Pledged Revenue Obligation Debt Service

The Pledged Revenue Obligation debt service amount for FY 2025/26 is $27,968,007, representing an increase of $447,140 from the previous fiscal year. This debt was issued in FY 2020/21 as a one-time measure to address unfunded pension liabilities associated with the Public Safety and Correction Officer Retirement Plans. The repayment of this debt is sourced from a portion of the State Shared Sales Taxes, County Excise Revenues, Payments in Lieu of Property Taxes, and the General Fund portion of the State Vehicle License Tax.

e. Sewer Debt Service

In addition to the debt service included in the Debt Service Fund, Pima County has additional debt service in the Regional Wastewater Reclamation Enterprise Fund. This debt service is paid for with sewer system revenues with no impact on the overall Debt Service Tax Rate. As of June 30, 2025, the outstanding sewer debt will be $323,380,000. Sewer infrastructure debt accounts for about 51 percent of all County Capital Improvement Program debt.

4. Overall Pima County Debt

Pima County utilizes several types of debt, such as General Obligation, Street and Highway, Certificates of Participation, and Sewer Revenue Obligations, to finance its Capital Improvement Program. The County's debt is not a traditional long-term debt, but a relatively short-term debt limited to 15-year repayment schedules.

In FY 2012/13, Pima County's debt for capital projects peaked at $1.35 billion from all sources. However, because the County limits this type of debt to 15-year repayment schedules, the current Capital Improvement Program debt is expected to decrease to approximately $627.8 million by the end of FY 2024/25. By the end of FY 2025/26, the projected total debt for the Capital Improvement Program is expected to be $596.6 million. This amount includes $40 million in Certificates of Participation for projects such as the new San Xavier Substation, the Joel Valdez Main Library Renovation and Superior Court Tenant Improvements and $60 million in Sewer Revenue Obligations for Regional Wastewater Reclamation projects.

B. General Fund Pay-As-You-Go Capital Improvement Funding (PAYGO)

The current budget allocates $53,232,766 for the PAYGO Program as mandated by BOS Policy D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program. Out of this, $25,000,000 is designated for the repayment of the $150 million advanced for pavement preservation, $5,000,000 is for Affordable Housing, $2,200,000 is for Open Space, $2,200,000 is for County Renewal Projects and the remaining balance is for debt service on prior-year capital expenditures. The FY 2025/26 PAYGO allocation was determined by utilizing sixty percent of the decrease in the current Debt Service secondary tax rate and sixty percent of the increase in the tax base, with the remaining unobligated tax value reducing the combined tax rate. The PAYGO Program's objective is to repair roads within ten years ending in FY 2029/30, provide funding for General Fund capital improvement projects and initiatives subject to Board approval, reduce debt interest expense, and lower the combined County property tax rate. The program depends on rapidly paying off the general obligation bond debt in the next few years, reducing the demand for the secondary tax rate.

The PAYGO General Fund Capital Improvement Fund aims to fund the capital program at a zero-dollar level for debt service payment once all General Obligation Bond Debt has been fully retired. However, to adhere to the constitutionally imposed expenditure limit, the County will still use short-term debt instruments for annual capital financing. The County will continue to issue longer-term Certificates of Participation for large-scale capital projects like the new San Xavier Substation, the Office of the Medical Examiner Building, and the Joel Valdez Main Library Renovation. Table 5 displays the FY 2025/26 secondary property tax levy for debt service and the PAYGO calculation.

Table 5: FY 2025/26 General Fund Pay-As-You-Go Primary Tax Levy	
Debt Service [1] Secondary Tax Collection Rate	0.1150
Secondary Tax Levy Decrease [2]	0.0100
60% of Decrease [3]	0.0060
Primary PAYGO Levy from Cumulative Debt Service Rate Reductions	$40,739,362
Primary PAYGO Levy from 60% of FY 2025/26 NAV Increase	12,493,404
Total Available for PAYGO [4]	**$53,232,766**

[1] Secondary property tax rate necessary to pay principal and interest payments for all County outstanding general obligation bond debt.
[2] Year-to-year secondary debt service tax rate difference.
[3] As the debt service tax rate decreases, sixty percent of the decrease will be used to build the PAYGO general fund. The remaining forty percent will be used to reduce the overall County tax rate.
[4] FY 2025/26 amount available in the PAYGO fund.

Transportation's Road Repair and Pavement Preservation program received $150 million, which is being repaid by the Transportation allocation from the General Fund PAYGO program. The total amount allocated for payment preservation from PAYGO was not increased; it was only accelerated.

Currently, the target for the PAYGO program in future years is to generate $50 million per year of recurring revenues to pay for the County's capital improvement projects as the General Fund transfer to the road repair program is reduced with the scheduled FY 2029/30 completion of the 10-year road repair plan.

C. Pavement Preservation and Repair Funding

In FY 2025/26, the Transportation Department's Recommended Budget will allocate $25 million in state-shared gas and vehicle license tax revenue funding for the Road Repair and Pavement Preservation Program. Combined with the investments made since PAYGO's inception in FY 2019/20, the total investment in pavement repair totals $324.4 million.

D. Annual Capital Projects Fund Budget and Capital Improvement Plan Budget

As outlined in Table 6, the FY 2025/26 recommended Capital Improvement Plan totals $202,000,562. This plan includes the Capital Projects Fund Budget of $133,015,712, Capital Projects of Regional Wastewater Reclamation of $62,920,938, Information Technology – Internal Service Fund of $5,850,000, and Fleet Services of $213,912. For a comprehensive list of projects within the

Recommended Capital Improvement Plan, please refer to the Capital Projects section of this Recommended Budget Book.

Table 6: FY 2025/26 Recommended Capital Improvement Plan			
Capital Improvement Plan	**FY 2024/25 Bond and Non-Bond Project Budgets**	**FY 2025/26 Bond and Non-Bond Project Budgets**	**Difference**
Capital Projects Fund			
Facilities Management	$ 62,024,990	$ 42,117,831	$ (19,907,159)
Flood Control District	22,803,470	26,100,000	3,296,530
Transportation	19,912,657	17,463,696	(2,448,961)
Analytics & Data Governance	10,078,500	-	(10,078,500)
Project Design & Construction	8,238,100	16,882,336	8,644,236
Library District	-	11,665,289	11,665,289
Conservation Lands & Resources	6,389,783	8,434,308	2,044,525
Sheriff	4,981,968	4,082,579	(899,389)
Parks & Recreation	3,547,229	4,625,833	1,078,604
Stadium District - Kino Sports Complex	6,561,408	1,643,840	(4,917,568)
Information Technology	1,514,000	-	(1,514,000)
Environmental Quality	500,000	-	(500,000)
Total Capital Projects Fund	**$ 146,552,105**	**$ 133,015,712**	**$ (13,536,393)**
Wastewater Reclamation	55,879,789	62,920,938	7,041,149
Information Technology - Internal Service Fund	4,922,286	5,850,000	927,714
Fleet Services	1,043,816	213,912	(829,904)
Total Capital Improvement Plan	**$ 208,397,996**	**$ 202,000,562**	**$ (6,397,434)**

1. <u>Capital Projects Fund Budget</u>

The recommended Capital Projects Fund Budget for FY 2025/26 totals $133.0 million, a decrease of $13.5 million or 9.2 percent from the current year's budget of $146.5 million primarily due to the completion of the Analytics and Data

Governance ERP system project. The budgeted projects are funded by the Regional Flood Control District, State Revenue, Regional Transportation Authority Sales Taxes, Impact Fees, Grants, Certificates of Participation (COPs), Library District, General Funds, and other sources.

Facilities Management has budgeted $42.1 million for 32 projects. Of this year's Recommended Budget, $18.3 million is allocated for the continued construction of the Superior Court improvements, $7.6 million for improvements at 33. N. Stone, $1.7 million to complete the Administration Building renovations at 130 W. Congress, $1.5 million for acquisition and mitigation of property in South Tucson and $1.6 million is budgeted for the completion of the Teatro Carmen Restoration.

The Regional Flood Control District has budgeted $26.1 million for 28 projects. The projects include $4.0 million for the Fairgrounds South Houghton Channels project, $3.8 million for the Santa Cruz Cortaro Narrows Training Structure, $3.0 million for Major Watercourse Infrastructure projects, and $2.0 million for the Ruthrauff/Gardner Lane UPRR Culvert project. Except for grant funds for the El Vado Stormwater Drainage and Canyon del Oro Levee Augmentation, these projects are primarily funded by District tax levy revenues.

The Department of Transportation has budgeted $17.5 million for 17 projects. The projects include $6.9 million for Valencia Road: Mission Road to Camino De La Tierra, $2.0 million for Sunrise Drive at Esperero Wash and $2.0 million for Valencia Road: Kolb to Houghton. The FY 2025/26 Department of Transportation Capital Program funding includes $6.4 million in Impact Fees, $10.1 million in Grants, and $1.0 million from various other funding sources.

2. <u>Regional Wastewater Reclamation Capital Budget</u>

The recommended capital budget for the Regional Wastewater Reclamation Department for FY 2025/26 totals $62.9 million, a $7.0 million increase from the current fiscal year. The capital program plan for FY 2025/26 will be funded using RWRD Sewer Revenue Obligations. Sewer conveyance system projects total $24.5 million, with $9.0 million for Minor Pipe Rehabilitation projects and $4.9 million for the Canoa Ranch Sewer Extension. Sewer treatment facility projects total $38.3 million, including $10.8 million for the Class A Biosolids project, $9.3 million for the Tres Rios Digester Facility project and $9.1 million for the Sidestream Anitamox Process.

3. <u>Information Technology - Internal Service Fund Capital Budget</u>

For FY 2025/26, the recommended capital budget for the Information Technology - Internal Service Fund totals $5.9 million, an increase of $927,714 from the current fiscal year. The budget includes $3.3 million for Server Storage, $1.4 million for a Network Refresh, and $800,000 for the Cabling Lifecycle Management

Plan. These projects will be funded through Information Technology - Internal Service Fund Operations.

4. Fleet Services Capital Budget

The FY 2025/26 recommended capital budget for Fleet Services totals $213.912, a decrease of $829,904 from FY 2024/25. The Recommended Budget includes the Ajo Fuel Island project, which will be funded through Fleet Operations.

VII. COMBINED TOTAL COUNTY BUDGET

A. Combined County Property Tax Rate and Levy

The County's Recommended Budget expenditures are funded by a combination of primary and secondary property taxes, which fund 35.1 percent of the total budget. These taxes are the only County revenues over which the Board has significant control. The majority of the County budget is funded through charges for services and intergovernmental revenues, particularly State revenue sharing and grants.

Based on the application of the aforementioned Board policies resulting in a $0.0953 increase and the inclusion of a $0.0356 increase to support County operations, the primary property tax rate for the General Fund is proposed to be raised to $4.2299 per $100 of taxable net assessed value. This proposed rate exceeds the neutral primary levy rate required under State Truth in Taxation laws. The neutral levy tax rate for FY 2025/26 is $3.9831 per $100 of taxable net assessed value. As a result, a Truth in Taxation hearing must be scheduled and conducted in conjunction with the Final Budget Adoption process.

The County controls three secondary property tax rates associated with the Library District, Regional Flood Control District (RFCD), and Debt Service. It is recommended that the Debt Service property tax rate decrease by $0.0100 per $100 of taxable net assessed value, the RFCD rate increase by $0.0018 per $100 of taxable net assessed value, and the Library District rate increase by $0.0042 per $100 of taxable net assessed value. These changes, combined with the increased taxable net assessed values, will result in a $5.2 million increase in secondary tax levies for FY 2025/26.

Similar to the County's primary property tax levy, the RFCD and Library District secondary property tax levies are subject to Truth in Taxation requirements. The effect on each district is outlined below:

For the Library District, the neutral secondary property tax rate for FY 2025/26 is $0.5380 per $100 of taxable net assessed value, while the recommended secondary property tax rate is $0.5579 per $100 of taxable net assessed value. If the Board approves the recommended rate, the Library District will need to issue a Truth in Taxation Notice and hold a public hearing on Truth in Taxation before final budget adoption, as required by statute.

For the RFCD, the neutral secondary property tax rate for FY 2025/26 is $0.3150 per $100 of taxable net assessed value, while the recommended rate is $0.3289 per $100 of taxable net assessed value. In accordance with the statute, if the Board approves the proposed tax rate, the RFCD will have to issue a Truth in Taxation Notice and hold a public hearing before the final budget adoption.

Table 7 below illustrates the recommended changes in both the primary and secondary tax rates.

Table 7: Recommended Changes in Primary and Secondary Tax Rates

Primary Property Tax Rate	FY 2024/25 Adopted Tax Rates	Pay Go Policy D 22.12	State Cost Shift Policy D 22.13	Proposed Adjustment	Recommended FY2025/26 Tax Rates
General Fund Primary	$ 3.6392	$ 0.0099	$ 0.0944	$ 0.0356	$ 3.7791
Pay Go	0.4598	(0.0090)	-	-	0.4508
Total General Fund	**$ 4.0990**	**$ 0.0009**	**$ 0.0944**	**$ 0.0356**	**$ 4.2299**
Secondary Property Tax Rates					
Library District	0.5537	-	0.0042	-	0.5579
Debt Service	0.1250	(0.0100)	-	-	0.1150
Regional Flood Control District	0.3271	-	0.0018	-	0.3289
Total Pima County Property Tax Rates	**$ 5.1048**	**$ (0.0091)**	**$ 0.1004**	**$ 0.0356**	**$ 5.2317**

The result of these recommendations is a combined County property tax rate of $5.2317 per $100 of taxable net assessed value, representing an increase of $0.1269 compared to the FY 2024/25 Adopted tax rate of $5.1048. The recommended primary and secondary County tax rates for FY 2025/26 are summarized in Table 8 below.

Table 8: Combined Recommended County Property Tax Rate

Description	FY 2024/25 Adopted Rates	FY 2025/26 Recommended Rates	Difference
General Fund Primary	$4.0990	$4.2299	$0.1309
Library District	0.5537	0.5579	0.0042
Debt Service	0.1250	0.1150	(0.0100)
RFCD	0.3271	0.3289	0.0018
TOTAL	**$5.1048**	**$5.2317**	**$0.1269**

Over the past six years, the County has steadily reduced its outstanding debt and transitioned to a General Fund PAYGO capital funding model. This approach has significantly decreased the combined County tax rate, as shown in Table 9 below. The recommended tax rate of $5.2317 represents a 6.7 percent reduction or a $0.3767 decrease since FY 2018/19.

Table 9: Combined County Property Tax Rate			
Fiscal Year	**Total Tax Rate**	**Change in Tax Rate**	**Cumulative Change in Tax Rate**
2018/19	5.6084		
2019/20	5.5584	(0.0500)	(0.0500)
2020/21	5.3108	(0.2476)	(0.2976)
2021/22	5.1952	(0.1156)	(0.4132)
2022/23	5.0652	(0.1300)	(0.5432)
2023/24	5.1048	0.0396	(0.5036)
2024/25	5.1048	0.0000	(0.5036)
Recommended 2025/26	5.2317	0.1269	(0.3767)

For the eleventh consecutive year, the County's overall property tax base is projected to increase. As a result, the recommended rates outlined above will be applied to a primary tax base that is 4.92 percent higher than the current year's base. Similarly, secondary tax bases such as those for Debt Service and the Library District will also increase by 4.92 percent, while the RFCD tax base will see a slightly higher increase of 5.65 percent. These increases, combined with the recommended primary and secondary property tax rates, will result in a $43,328,979 or 7.58 percent increase in the recommended combined County property tax levies compared to the current year, as shown in Table 10.

Table 10: Combined Recommended County Property Tax Levy			
Description	**FY 2024/25 Adopted Levies**	**FY 2025/26 Recommended Levies**	**Difference**
General Fund Primary	$461,322,412	$499,488,192	$38,165,780
Library District	62,316,228	65,879,681	3,563,453
Debt Service	14,068,139	13,579,787	(488,352)
RFCD	33,521,856	35,609,954	2,088,098
TOTAL	**$571,228,635**	**$614,557,614**	**$43,328,979**

B. <u>Combined County Budget</u>

The expenditure budget recommended for the County in FY 2025/26 totals $1,758,684,871, as reflected in the budget schedules and departmental budget summaries provided with this Memorandum. This expenditure amount represents an increase of $32,191,612, or 1.86 percent, from the FY 2024/25 Adopted Budget amount of $1,726,493,259.

JKL/anc

c: Carmine DeBonis, Deputy County Administrator
Steve Holmes, Deputy County Administrator
Art Cuaron, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management
Xavier Rendon, Budget Division Manager, Finance and Risk Management