MEMORANDUM

Date: April 25, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Transmittal of the Recommended Fiscal Year 2019/2020 Budget**

Introduction

This memorandum transmits the Recommended Fiscal Year (FY) 2019/20 Budget for Pima County. These recommendations are based on information available in April 2019. **As of today, the Governor and the State Legislature have not adopted a State budget for FY 2019/20. It is likely the final budget adopted by the State will have impacts on Pima County's final budget and may change the recommendations made in this memorandum.** It is also possible additional relevant information will become available for the Board of Supervisors as it deliberates on the budget prior to final adoption on June 18, 2019.

On March 5, 2019, and revised on April 23, 2019, the Board approved holding four public hearings on the budget. These hearings will be held on the dates shown in the budget schedule below. In total, the Board will hold six public hearings regarding the budget, totaling approximately 17 hours, before the Final Budget Adoption. The budget hearings will be televised, as well as available for viewing through the internet.

Working budget drafts, including budgets submitted by all County departments, have been available on the County Budget website since February 6, 2019. These reports receive weekly updates throughout the budget process and include the following:

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

The above financial reports include the FY 2017/18 actual amounts, FY 2018/19 Adopted Budget, FY 2018/19 year-to-date amounts as of the date of the report and the FY 2019/20 Recommended Budget. The reports also include two columns of variances that compare the FY 2018/19 Adopted Budget to the FY 2019/20 Recommended Budget and the FY 2018/19 Adopted Budget to the FY 2018/19 year-to-date expenditures and revenue.

In addition to these reports, the County Budget website includes budget-related communications issued to the Board and County departments throughout the FY 2019/20 budget process to date. This information can be accessed on the County's home page (www.pima.gov) by clicking on the County Budget link.

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

May 14, 2019	Board of Supervisors Budget Hearing (morning and afternoon sessions)
May 15, 2019	Board of Supervisors Budget Hearing (morning and afternoon session)
May 21, 2019	Tentative Budget Adoption (Sets Budget Ceiling)
June 18, 2019	Truth in Taxation Hearing (Pima County, Regional Flood Control District and County Free Library)
June 18, 2019	Final Budget Adoption
August 19, 2019	Tax Levy Adoption (Date set by state statute)

The documents shown below follow this budget memorandum.

- Budget schedules showing fund balances, expenditures, revenues, transfers and other financing sources.
- A summary of each department's budget, including a description of the budget on a line-item account basis.

The County's base operating budget for all funds set forth in this recommendation includes projected continuing and new cost shifts, revenue reductions and revenue sharing.

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I. OVERVIEW OF RECOMMENDED BUDGET

Pima County's FY 2019/20 Recommended Budget continues the conservative approach to budgeting that has been followed since the start of the last recession. During this time, the County adjusted its budget in response to reduced revenues and increased service demands. It implemented various initiatives to address redundancy and improve efficiency. The centralization of core internal services such as Finance and Information Technology, increased efficiency and reduced cost. The size of the workforce shrank, primarily through normal attrition. Priorities were re-evaluated and items of discretionary spending were reduced where appropriate. Department and agency budgets were incrementally reduced over time through a managed, thoughtful process.

The primary property tax base in Pima County will increase in FY 2019/20 by 4.75 percent. This is the fifth time in ten years the property tax base has increased. Between FY 2009/10 and FY 2014/15, the County's primary net assessed value declined 16.3 percent. The FY 2019/20 net assessed value is still below the FY 2009/10 value. It is expected the property tax base will continue to increase modestly for the next few years.

FY 2019/20 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2018/19 is $73,238,533, an increase of $32,895,975 over the budgeted FY 2018/19 General Fund Reserve of $40,342,558. This amount represents the beginning fund balance for FY 2019/20.

- It is recommended that the FY 2018/19 ending balance be allocated primarily to the following purposes:

  - $15,000,000 to fund the contract payment to Banner Health on behalf of the Banner–University of Arizona Medical Center South Campus;

  - $10,796,935 for forecasted and potential election related costs;

  - $5,000,000 for Transportation Pavement Preservation Funding;

  - $780,558 to fund the State's shift of costs to the County for the Arizona Department of Revenue;

  - $871,156 to fund miscellaneous one-time expenditure adjustments;

  - $40,789,884 to fund the total General Fund Budget Reserve, for FY 2019/20.

- It is recommended that the General Fund primary property tax rate be reduced $0.0700 from the FY 2018/19 rate of $4.0696 to $3.9996. Budgeted FY 2019/20 primary property tax collections from all sources total $351,046,676.

- Assuming the Board adopts the reduced General Fund primary property tax rate to $3.9996 per $100 of net assessed value, recommended General Fund revenues and transfers-in for FY 2019/20 are projected to be $593,591,845, which is $36,954,148, or 6.6 percent, more than the current year.

- Excluding primary property taxes, General Government Revenues from all other sources are projected to increase $6,595,281.

- The value of the net primary property tax base is projected to increase 4.75 percent. While the valuation is increasing, the proposed General Fund primary property tax rate is recommended to decrease by $0.0700 per $100 of net assessed value. This will result in an increase in the net General Fund primary property tax levy of $10,007,571 over the FY 2018/19 levy.

- General Fund primary property tax revenues from all sources are projected to increase $9,862,767 at the reduced tax rate. Primary property tax revenues are different from the tax levy because of the impact of actual property tax collection rates, the amount of delinquent property tax collected and the associated penalties and interest collected on delinquent property taxes.

- Recommended General Fund expenditures and transfers-out for FY 2019/20 are projected to be $666,800,378, which is $19,487,946, or 3 percent more than the current year's adopted budget.

- Existing State budget cost transfers for FY 2019/20 have an annual budget impact of $86,780,469 million, or 25 percent of the recommended General Fund primary property tax rate of $3.9996.

- The recommended General Fund Budget Reserve totals $40,789,884, or 6.9 percent of recommended General Fund revenues and operating transfers-in.

- The Recommended Budget for the Library District for operating costs, grants and operating transfers-out is $52,787,625 a $5,012,419 increase from the current year, which includes an increase of $3,786,952 in the secondary property tax levy. The secondary property tax rate is recommended to increase two-cents from $0.5153 per $100 of net assessed value to $0.5353 to fund the Library District's Pay-As-You-Go Capital improvement Program.

- The Recommended Budget for Debt Service is $107,861,884, a $53,088,375 decrease from the current year. The recommended budget proposes the secondary property tax rate remains at $0.6900 per $100 of net assessed value resulting in an increase of $2,732,897 in the secondary property tax levy.

- The Recommended Budget for the Regional Flood Control District (RFCD) for operating costs, special fund and operating transfers-out is $34,637,508, an $8,334,534 increase from the current year, which includes an increase of $1,229,185 in the secondary property tax levy. The recommended budget proposes the secondary property tax rate remains at $0.3335 per $100 of net assessed value.

- The combined primary and secondary recommended County property tax rate (excluding the Fire District Assistance Tax) is $5.5584 per $100 of net assessed value and is a decrease of $0.0500 from FY 2018/19. The resulting combined County levy (excluding the Fire District Assistance Tax) is $482,627,575, a $17,756,605 increase over the current year.

- The combined, total Recommended County Expenditure Budget for FY 2019/20 is $1,309,392,644 and is $24,707,965, or 1.9 percent, less than the current year Adopted Budget.

II. ISSUES SIGNIFICANTLY IMPACTING THE COUNTY BUDGET

This section contains a series of brief descriptions of some of the major issues that impact Pima County's FY 2019/20 Recommended Budget. Further details are contained in various memoranda accessed via the County Administrator Memoranda FY 2019/20 page on the County Budget website.

A. Pay-As-You-Go Capital Improvement Funding (PAYGO)

In 2012, Maricopa County financed their South Court Tower at an approximate cost of $330 million from their primary property tax revenues. They continue to finance capital improvements in information technology, facilities management and parks, through the General Fund, which is primarily supported by primary property tax revenues. Funding capital improvements through annual tax revenues is simply known as Pay-As-You-Go (PAYGO) Capital Financing. I have now begun the process of transitioning our Capital Improvement Program financing from bond or debt supported to PAYGO funding. This transition will be fully complete within the next five years.

This transition is complete for the Library and RFCDs. Beginning in this budget year, $0.0400 cents of the Library tax rate is now permanently dedicated for PAYGO capital facilities. The library at the Southeast Regional Park off Houghton Road and Mary Ann Cleveland Way and the new Sahuarita Library will be the first facilities built using this funding strategy. In addition, $0.0400 of the Regional Flood Control tax rate will also be dedicated to PAYGO capital facilities.

For the General Fund, this process was started in small amounts in the current fiscal year using one-time primary levy funds, but you will see increasing reliance on PAYGO Capital Financing next year and in the coming few years using recurring funding. This transition is made possible by the rapidly declining secondary property tax rate and levy for debt service. Table 1 below shows the estimated secondary property tax levy for debt service for the next five fiscal years as well as how the fund grows over the next few fiscal years.

Table 1: Pay As You Go General Fund Primary Tax Levy.

	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Debt Service[1] Secondary Tax Collection Rate	0.690	0.690	0.520	0.470	0.320	0.220
Secondary Tax Levy Decrease[2]			0.170	0.050	0.150	0.100
1/2 of Decrease[3]			0.085	0.025	0.075	0.050
Cumulative Decrease			0.085	0.110	0.185	0.235
Primary Tax Levy of 1 cent		$851,771	$899,641	$936,616	$975,579	$1,013,237
Primary PAYGO Levy by Fiscal Year			$7,646,947	$10,302,777	$18,048,218	$23,811,063
Primary Tax Levy NAV Increase[4]			$19,953,148	$15,438,883	$16,232,546	$15,691,878
Primary Growth PAYGO 1/2 of NAV Increase			$9,976,574	$7,719,442	$8,116,273	$7,845,939
Total Available for Pay as you go[5]			**$17,623,521**	**$18,022,219**	**$26,164,491**	**$31,657,002**

[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 only one half of the decrease will be used to build the PAYGO general fund in the primary tax levy. The remaining half will be used to decrease the overall County tax rate.

[4] As the tax base expands or grows one half of the growth per year will be dedicated to the PAYGO fund until the annual recurring revenues in the fund equal $50,000,000 per year.

[5] Annual amounts per fiscal year available in the PAYGO fund.

The listed tax rates are necessary to complete the early and rapid repayment of our outstanding bond indebtedness. As the secondary debt service rate decreases, I will begin transferring approximately half of the reduction to the primary property tax rate, where the amount levied can be segregated into a separate PAYGO Capital account with a goal of raising, over a period of time, the amount generated to $50 million per year, which should sustain capital expansion and replacement without future debt financing.

While a reduction in the debt service tax rate levy will assist in building a PAYGO Capital Fund, it will also be necessary to reserve a component of the annual tax base growth, as well as allow the primary property tax rate to continue to be reduced over time. This simply means that the primary property tax rate will not decrease as much as it could, based on continued tax base growth. Once achieved, the secondary property tax rate for the debt service will eventually be zero. This milestone could easily be reached in the next seven years. At that time County General Obligation Bond debt will have been retired. In addition, it is likely that within five years, the County would be able to continue to meet Truth in Taxation standards, assuming continuing modest expansion of the tax base. This should reduce the non-PAYGO primary property tax rate of $4.0696 to $3.6400 within the next five years or sooner, lower than it has been since FY 2012/13.

Because of expenditure limitation requirements it is also likely that this annual capital financing will have to be financed using short-term three-year limit debt instruments to ensure the County does not exceed the constitutionally imposed expenditure limit. In other words, after all of County debt has been retired, we will continue to see Certificates of Participation issued for debt periods of no longer than three years, which meets the Auditor General's definition of debt and allows an appropriate offset to the annually calculated constitutional expenditure limit.

B. Pavement Preservation and Repair Funding for Local Roads

I am recommending for the first time that a specific line item in the Transportation Department budget contain a funding category entitled Pavement Preservation and Repair Contracts. For Fiscal Year 2019/20, I am recommending a combined allocation of $26.0 million ($20.0 million in Transportation's operating budget and $6.0 million in the Capital Projects budget). This is a significant investment in road repair and pavement rehabilitation. I will also recommend that appropriations continue to be made specifically for road repair and preservation in future budget years based on the PAYGO funding plan described in more detail earlier in this memorandum.

Table 2 below identifies the projected amounts available in the funding category, which will include a General Fund PAYGO allocation, growth in revenues from the Highway User Revenue Fund (HURF) and Vehicle License Tax, reduced Debt Service associated with the retirement of 1997 HURF Revenue Bonds, as well as departmental operational savings. In addition, the Board also has the option to levy up to a $0.2500 per $100 of net assessed value primary property tax for roads.

Table 2: Five-Year Road Repair Funding Options.

Fiscal Year	Transportation Budget[1]	General Fund[2]	Taxable Net Assessed Value[3]	Road Tax 25 Cent/$100 of Assessed Value[4]	Total
2019/20	$21,000,000[5]	$5,000,000	$8,729,964,923	$21,294,284	$47,294,284
2020/21	16,000,000	10,000,000	9,220,262,449	22,823,097	48,823,097
2021/22	16,000,000	15,000,000	9,599,633,472	23,763,654	54,763,654
2022/23	21,000,000	20,000,000	9,998,506,728	24,749,060	65,749,060
2023/24	23,000,000	25,000,000	$10,384,094,456	25,708,070	73,708,070
Total	**$97,000,000**	**$75,000,000**		**$118,338,165**	**$290,338,165**

[1] Forecasted Transportation Budget amount from annual growth in Highway User Revenue Fund HURF)/ Transportation Vehicle License Tax (VLT) and department operational savings.
[2] General Fund amount from growth in Taxable Net Assessed Value; funding applied to regional arterial/collectors and recreational gateway roads in unincorporated area.
[3] Taxable Net Assessed Value growth assumptions including new construction are as follows:
FY 2020/2021: 5.62%
FY 2021/2022: 4.11%
FY 2022/2023: 4.16%
FY 2023/2024: 3.86%
[4] Road Tax assessed at 25-cents/$100 of Taxable Net Assessed Value; funding applied to regional arterial/collectors and recreational gateway roads in unincorporated area.
[5] Includes $6 million from previously reallocated 1997 HURF Bonds.

If the Board were to readopt the $0.2500 primary property road tax and added these funds to the available funding identified in the budget, nearly $300 million could be invested in road repair and pavement rehabilitation over the next five fiscal years.

The General Fund column that increases at $5 million per year is directly dependent on the Board adopting and approving the transition I have proposed in capital debt financing to Capital PAYGO financing. If the Board does not approve this program, then the increasing General Fund contributions to pavement repair and rehabilitation as shown in the previous table will not be possible.

As can be seen in Column 2, Transportation Budget, the allocation from the Transportation budget significantly increases from year to year based on HURF growth, debt service reduction and operational efficiencies. Regarding the rapid retirement of the Highway User Revenue bond debt, the total indebtedness of this authorization of $350 million stands at approximately $65 million as of March 31, 2019. Hence, this debt is being rapidly retired which allows for accelerated reduction in the principal and interest payments. Table 3 below demonstrates how these principal and interest payments are reduced from the 2018 base year, which is the highest amount of HURF allocated each fiscal year for debt service payments.

Table 3: 1997 HURF Authorization Debt Service Payments as of 4/4/2019.

Fiscal Year	Principal	Interest	Total Debt Service Payments	Cumulative Decrease from 2018 Base FY
2017/18	$15,105,000	$3,597,502	$18,702,502	
2018/19	14,820,000	3,680,545	18,500,545	$201,957
2019/20	14,405,000	3,998,906	18,403,906	298,596
2020/21	12,610,000	3,328,906	15,938,906	2,763,596
2021/22	12,090,000	2,723,606	14,813,606	3,888,896
2022/23	7,650,000	2,132,106	9,782,106	8,920,396
2023/24	7,905,000	1,875,906	9,780,906	8,921,596
2024/25	$5,120,000	$1,617,582	$6,737,582	$11,964,920

C. State Cost Shifts

The shifting of the State of Arizona's Budget Costs to Pima County continues to have direct, adverse impacts on the programs and services provided by the County in FY 2019/20.

Overall FY 2019/20 State cost shifts total nearly $86.8 million, or 25 percent of the proposed General Fund primary property tax rate of $3.9996 per $100 of net assessed value. A detailed list of these State cost transfers is shown in Table 4 below.

Table 4: Continuing FY 2019/20 State Cost Transfers to Pima County.

Description	Amount Required From Pima County
Arizona Department of Revenue Operating Cost	$780,558
Restoration to Competency	787,306
Constables – Salaries and Benefits	1,168,138
Justice Courts – JP Salaries and Benefits	1,365,264
Behavioral Health System State Contribution	3,064,936
Arizona Health Care Cost Containment System	16,599,000
Superior/Juvenile Court – Salaries and Benefits	19,323,967
Arizona Long Term Care System	43,691,300
Total	**$86,780,469**

D. Employee Compensation

1. 2.0 Percent County-wide Salary Adjustment

The last Countywide employee salary adjustments were approved by the Board of Supervisors at the adoption of the FY 2018/19 budget. At that time, eligible employees received a 2.5 percent salary adjustment effective July 8, 2018 and employees earning $50,000 or less per year received an additional 1.0 percent salary adjustment effective January 6, 2019. Eligible sheriff deputies and corrections officers within a specified hourly salary range also received retention incentive adjustments of 5.0 percent in addition to the general salary adjustment of 2.5 percent.

In forming my FY 2019/20 budget recommendations related to employee compensation, I considered various options. The option that I have chosen to recommend to the Board is a 2.0 percent across the board salary adjustment for all eligible County employees effective on September 1, 2019. I believe this adjustment strikes a balance between our need to continue to adequately compensate County employees for the value of the services they provide and the additional funds required to fund the ongoing year-to-year costs.

The FY 2019/20 County-wide cost of this proposed salary adjustment is $6.5 million including associated benefits. The cost to the General Fund is $4.5 million. This lump-sum amount is currently budgeted in the Non-Departmental Unit of the General Fund and will be distributed to departments if this salary adjustment is approved by the Board. Starting in FY 2020/21 the annual ongoing cost of this salary adjustment plus benefits will total $7.8 million.

Salary adjustments result in additional benefits costs paid by the County on behalf of its employees. These benefits are paid on an employee's salary, overtime, on-call pay and other premium pays. Variable benefits impacted by the salary adjustments include Social Security and Medicare, workers' compensation, County retirement contributions and unemployment insurance. For every dollar increase in compensation, associated additional benefits increases range from 20 cents to 79 cents, depending on the classification, retirement system and hire date of the employee.

If the Board approves this recommended salary adjustment, employee eligibility requirements will be sent to departments in a separate memorandum.

2. 1.0 Percent Salary Adjustment for Eligible County Employees

To make the employee compensation adjustment more equitable for those employees compensated at the lower end of the County's salary scale I recommend to the Board an additional 1.0 percent salary adjustment be approved for all eligible County employees whose annual compensation is $45,000 or less effective on January 5, 2020. These employees would receive the equivalent of an overall effective 2.2 percent salary adjustment in FY

2019/20 that would be annualized to 3 percent in FY 2020/21 and onward. This additional equity salary adjustment will positively impact 2,816 or 45 percent of all eligible County employees.

The Countywide cost of this additional salary adjustment in FY 2019/20 is $543,195 ($450,008 in salaries plus $93,187 in benefits). The cost to the General Fund is $353,604. This lump-sum amount is currently budgeted in the Non-Departmental Unit of the General Fund and will be distributed to departments if this salary adjustment is approved by the Board. Starting in FY 2020/21, the annual cost of this salary adjustment plus benefits will total $1.1 million.

If the Board approves this recommended salary adjustment, employee eligibility requirements will be sent to departments in a separate memorandum.

3. *Sheriff Deputy Salary Range Increase*

As the Board knows, I directed County Staff to increase the starting base minimum salary of our corrections officers by $2 an hour (from $19.50 per hour to $21.50 per hour) effective February 3, 2019. This increase was in response to difficulties experienced by the Sheriff's Office in attracting qualified candidates to the competitive application process to become a corrections officer in Pima County. This salary adjustment places starting correction officers in Pima County as the highest paid in the State among all counties and higher than the beginning salary of State of Arizona corrections officers. This adjustment appears to be having the desired effect of attracting additional applicants to the Sheriff's recruiting efforts.

We are seeing similar issues in regards to sheriff deputy recruitment. Attracting and hiring qualified sheriff deputies continues to be an issue for the Sheriff. I have been working with the Sheriff to develop a plan to improve our chances of attracting these qualified applicants.

To put this plan in place I am recommending increasing the hourly salary range for the Sheriff Deputy existing classification from the current range of $23.50 to $29.84 to a new range of $25.50 to $31.84 effective the start of the first pay period in July. This will allow topped-out deputies above the present range to receive the County pay increase identified in this communication. In addition, there are approximately 94 deputies in the middle of the pay range. I have indicated to the Sherriff the opportunity to adjust their compensation mid-fiscal year.

This hourly salary range adjustment will positively impact 154 sheriff deputies. The estimated incremental cost of this hourly salary range adjustment plus benefits totals $1.1 million. The estimated impact of this adjustment will be absorbed within the Sheriff's FY 2019/20 recommended budget. The Sheriff has instituted several cost saving measures in FY 2017/18 and FY 2018/19. As of the end of February 2019, the Sheriff is forecasted to come in a net $3.8 million under budgeted expenditures at year-end. Sufficient annual savings will carry over into FY 2019/20 and future years to make these salary adjustments possible.

E. Employee Benefits

Prior to any of the salary adjustments described above, overall FY 2019/20 County benefits costs are expected to increase by a net of $2.0 million over FY 2018/19 (from $155.2 million to $157.2 million). This net additional cost is primarily driven by significant increases in the County's required Public Safety Retirement contribution rates and smaller County contribution rate increases for the Arizona State Retirement System (ASRS).

If the Board approves the recommended salary adjustments, overall FY 2019/20 County benefit cost will increase another $2.0 million to $159.2 million. This increase reflects the impacts on variable employee benefit costs as a result of these salary adjustments.

Based on the continued strong performance of the Health Benefits Insurance Trust Fund over the past year, the FY 2019/20 benefit projections positively reflect that the County will not be increasing Employee Health Benefit premium costs for both the County and the employees in the next fiscal year. Additionally, for the second year in a row, the costs associated with the County's contributions to eligible employees' Health Savings Accounts (HSAs) will be funded out of the Health Benefits Insurance Trust Fund rather than being charged directly to the individual County departments. The Health Benefits Insurance Trust Fund will also fund the costs associated with the implementation of the new Short Term Disability benefit.

The annual cost of all benefits as a percentage of employee compensation varies widely by employee type. For example, a County employee in the ASRS retirement system receives employer paid benefits equal to 33 percent of their salary. For certain Public Safety employees, this percentage increases to as much as 98 percent of the cost of their salary.

III. GENERAL FUND ENDING FUND BALANCE: FY 2018/19

A. Positive Ending Fund Balance

The recommended General Fund ending balance for FY 2018/19 is $73,238,533. This is a projected increase of $32,895,975 over the FY 2018/19 budgeted General Fund Reserve of $40,342,558. This ending balance represents approximately 13 percent of FY 2018/19 projected General Fund revenues plus operating transfers-in. This ending fund balance is within the recommended guidelines of the Government Finance Officers Association and represents the FY 2019/20 Beginning Fund Balance.

B. Recommended Uses of General Fund Ending Balance

The information contained in Table 5 below represents my recommendations for use of the

$73,238,533 of non-recurring, one-time resources, projected as the available ending balance of the General Fund on June 30, 2019.

Table 5: Recommended Allocation of FY 2018/19 General Fund Ending Balance.

Recommendation	Amount
Banner–University Medical Center South Campus	$15,000,000
FY 2019/20 Elections	10,796,935
Transportation Pavement Preservation Funding	5,000,000
State Cost Shift: Arizona Department of Revenue	780,558
Miscellaneous One-Time Expenditures	871,156
General Fund Reserve	40,789,884
TOTAL	**$73,238,533**

IV. GENERAL FUND SUBMITTED BASE BUDGET: FY 2019/20

A. General Fund Base Budget Revenues (Before my recommended adjustments below)

If the current General Fund primary property tax rate of $4.0696 were to be continued into FY 2019/20, projected FY 2019/20 base budget revenues and operating transfers-in to the General Fund total $599,554,244. This is a $42,916,547 or a 7.7 percent, increase from the current year adopted budgeted revenues and operating transfers-in to the General Fund.

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

1. *General Government Revenues Other Than Property Taxes*

Excluding General Fund primary property tax revenues, projected FY 2019/20 base budget General Government revenues from all other sources is $184,908,258, a $6,595,281, or 3.7 percent increase from the current Adopted Budget.

The largest revenue stream in this category – State Shared Sales Tax – is projected to increase by $5.0 million, or 4.1 percent, to $126.0 million, reflecting continued growth in the local economy. Vehicle License Tax revenue is also projected to show continued improvement next year with an overall increase of $1.7 million, or 5.9 percent.

2. *Primary Property Tax Revenues*

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

Seven years ago, Arizona voters approved a Constitutional amendment that substantially limits future overall appreciation of the existing property tax base by setting a five percent cap on taxable net assessed value increases from year to year. Previously, the market dictated increases in taxable net assessed value.

b. Primary Property Tax Revenues (Before recommended primary property tax rate adjustments)

The taxable net assessed value for FY 2019/20 totals $8.7 billion. This is a net increase of $396.1 million, or 4.75 percent, over the current year and represents the fifth annual increase in taxable net assessed value since FY 2009/10. While this amount represents an increase from FY 2018/19, the taxable net assessed value is still $225.7 million, or 2.8 percent less than ten years ago in FY 2009/10. In FY 2019/20, the market value of existing property in the County will increase by 3.67 percent. New construction will add 1.05 percent to the property tax base.

Assuming the General Fund primary property tax rate for FY 2019/20 continues at the current rate of $4.0696 per $100 of taxable net assessed value, that the resulting General Fund primary levy is $355.3 million. This is $16.1 million or 4.75 percent more than the amount levied in the FY 2018/19 year's Adopted Budget.

In addition to the collection of current year property taxes, the County receives revenue for the payment of delinquent property taxes from prior years and associated interest and penalties.

Together with the projected primary property tax collection next year, the total base General Fund property tax revenues projected for FY 2019/20 are $357 million. This amount is $15.8 million, or 4.64 percent more than the total General Fund primary property tax revenues adopted in the FY 2018/19 Adopted Budget. The majority of the difference between the levy amount and the revenues collected is attributable to the overall collection rate and reductions in the forecasted collections of penalties and interest on delinquent property tax collections.

The State Truth in Taxation statute determines the County's neutral primary property tax levy each year. A neutral levy and corresponding tax rate is defined as the previous year's levy plus additions to the tax base from new construction. Pursuant to statute, the County's FY 2019/20 neutral primary rate is $3.9257 per $100 of taxable net assessed value, or $0.1439 less than the current year $4.0696 General Fund primary tax rate. The resulting neutral primary levy is $12.6 million, or 3.5 percent less than the levy produced by the current year's General Fund primary tax rate. If the current year primary rate remains unchanged, the County would be required to hold a Truth in Taxation hearing prior to the final budget adoption.

This statutory benchmark is more restrictive than the County's Maximum Allowable Primary Levy Limit imposed by the Arizona Constitution, which is indexed to reflect a modest annual rate of inflation of two percent. The Maximum Allowable Primary Levy Limit imposed by the Arizona Constitution allows the County's primary rate to be increased to $5.1263, or $1.0567 higher than the current year's General Fund rate. The resulting constitution capped levy is $447.5 million, which is $92.2 million, or 26.0 percent greater than the levy produced by the current year's primary property tax rate.

The above discussion assumes that the General Fund primary property tax rate will remain unchanged from FY 2018/19. As I have indicated earlier in this memorandum, I will be proposing to adjust the FY 2019/20 General Fund property tax rate by $0.0700 per $100 of taxable net assessed value to $3.9996. This discussion can be found in Section VI below.

3. *Departmental Revenues*

Base budget General Fund revenues from departments and operating transfers-in for FY 2019/20 are projected to total $57.6 million. This is a $20.5 million net increase from the current year's budget.

Significant increases/decreases in base General Fund departmental revenues and operating transfers-in include the following:

- $9.6 million cash operating transfer-in from Fleet Services to fund current and future year payments for Certificates of Participation debt service.
- $7.2 million increase in revenue as the result of moving the accounting of the Pima Animal Care Center's operating budget from the current special revenue fund to the General Fund.
- $2.6 million increase in recording fee revenue from the Recorder.
- $1.1 million of net miscellaneous revenue adjustments.

4. *General Fund Submitted Base Budget Expenditures (Before my recommended adjustments below)*

The amount required in FY 2019/20 to fund department submitted General Fund-supported base budgets for both expenditures and transfers-out is $599.1 million and is $48.2 million, or 7.5 percent less than the current year's adopted budget. This base amount represents FY 2018/19 adopted departmental budgets adjusted for increased election costs, the movement of the Pima Animal Care Center budget into the General Fund, increased benefit costs, impacts to base costs pursuant to Board adopted budget policies and prior directives, and decreases in base one-time expenditures in the current year. Details regarding specific base expenditure adjustments can be found in the individual department analyses that follow this memorandum.

B. County Staffing Decreases

Over the past several years, Pima County has taken significant actions to maintain an effective and efficient workforce while incrementally reducing unnecessary or redundant positions primarily through attrition.

The overall County workforce has shrunk by over 1,275 Full-Time Equivalents (FTEs), or 15 percent from peak staffing in FY 2007/08, as shown in Table 6 below. In addition to decreases in staffing, the County instituted significant changes in the way it budgets and accounts for vacant positions and staff turnover. Staffing is also controlled by having departments budget only for positions they can reasonably expect to fill during the course of the fiscal year.

FY 2019/20 total budgeted FTEs decreased by a net of 8.0 from FY 2018/19. The majority of the decrease in FTEs occurs in the Special Revenue Funds. The decrease represents the net of various increases and decreases in the funded FTE counts within the various County departments. Descriptions of changes in the number of FTEs are included in the individual department descriptions in this book.

Table 6: Total Budgeted FTE Positions, FY 2007/08 Adopted Budget through FY 2019/20 Recommended Budget.

Fiscal Year	Budgeted FTEs	Change in Budgeted FTEs	Cumulative Change in Budgeted FTEs
2007/08	8,396		
2008/09	8,113	(283)	(283)
2009/10	7,838	(275)	(558)
2010/11	7,753	(85)	(643)
2011/12	7,361	(392)	(1,035)
2012/13	7,314	(47)	(1,082)
2013/14	7,329	15	(1,067)
2014/15	7,255	(74)	(1,141)
2015/16	7,061	(194)	(1,335)
2016/17	7,114	53	(1,282)
2017/18	7,056	(58)	(1,340)
2018/19	7,129	73	(1,267)
2019/20	7,121	(8)	(1,275)

V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES

Table 7 below details the FY 2019/20 expenditure adjustments required to fund Banner University Medical Center, Pay-as-you-Go pavement repair and rehabilitation funding, a 2.0 percent and 1.0 percent salary adjustment plus benefits, additional ongoing State-related cost shifts and fully fund a 6.9 percent General Fund Budget Reserve.

Table 7: Recommended Adjustments to FY 2019/20 Submitted Base Expenditures and Operating Transfers-out.

Proposed FY 2019/20 Base Expenditures and Operating Transfers-out	**$599,096,941**
Banner-University Medical Center South Campus	15,000,000
Pay-As-You-Go Pavement Repair and Rehabilitation	5,000,000
Potential Salary and Benefit Adjustments	5,947,935
Ongoing State Cost Shifts – Arizona Department of Revenue Costs	780,558
County Attorney Digital Evidence Disclosure	185,060
Fund 6.9 Percent General Fund Budget Reserve	40,789,884
Total FY 2019/20 Recommended Expenditures and Operating Transfers-out	**$666,800,378**

The Recommended General Fund budget totals $666,800,378 and consists of $616,202,490 expenditures and $50,597,888 operating transfers-out to other County departments and funds.

I am also recommending a General Fund Budget Reserve of $40,789,884. This amount represents 6.9 percent of recommended revenues and operating transfers-in. This reserve meets the Government Finance Officers Association recommendation of a minimum set aside and retains a reserve capacity for any emergency funding during the course of the coming fiscal year.

VI. RECOMMENDED ADJUSTMENT TO GENERAL FUND SUBMITTED BASE REVENUES

A. Reduce General Fund Primary Property Tax Rate by 7-Cents

Base General Fund revenues plus operating transfers-in prior to the General Fund primary property tax rate reduction totals $599,554,244. This base number plus the FY 2018/19 ending fund balance of $73,238,533 discussed in Section III.A above, is sufficient to fund the $666,800,378 of General Fund recommended expenditures and operating transfers. These funds will also support a 7-cent reduction in the General Fund primary property tax rate to $3.9996 per $100 of taxable net assessed value. This reduction in the tax rate will result in a decrease of $5,962,399 in FY 2019/20 General Fund primary property tax revenues. Table 8 below shows this revenue adjustment between the base revenues and operating transfers-in and the County Administrator recommended revenues and operating transfers-in.

Table 8: Recommended Adjustments to FY2019/20 Submitted Base Revenues and Operating Transfers-in.

Proposed FY 2019/20 Base Revenues and Operating Transfers-in	**$599,554,244**
$0.0700 Reduction in the General Fund Primary Property Tax Rate (now $4.0696)	($5,962,399)
Total FY 2019/20 Recommended Revenues and Operating Transfers-in	**$593,591,845**

As I mentioned in Section IV.A.2.b above, State Truth in Taxation statutes determines the County's neutral combined primary property tax levy each year. If the General Fund primary property tax rate remained the same as in FY 2018/19, the General Fund primary property tax rate would total $4.0696 per $100 of Taxable Net Assessed Value. The FY 2019/20 Truth in Taxation, tax rate is $3.9257. Reducing the General Fund primary property tax rate by the proposed 7-cents to $3.9996, would result in the General Fund primary rate being $0.0739 over the Truth in Taxation rate. Thus, if the recommended primary property tax rate is adopted by the Board, the County will be required to hold a Truth in Taxation Hearing for the primary property tax prior to the final budget adoption.

VII. 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 serves the entire County. In FY 2019/20, the Pima County Public Library budget includes the operation of a Main Library, 25 branches, a nonprofit support center, a bookmobile and online services, including a dynamic web portal, Infoline, "Ask a Librarian," online homework help, employment and career help, full-text magazine and journal articles and downloadable e-books, audiobooks, video and music.

The Library has a collection of 1.2 million catalogued items, which will be borrowed 7 million times in the course of a year. The Library provides 1,200 computers that generate 1.5 million computer sessions by the public and welcomes on average 5.5 million visitors through its doors annually. The Library offers an increasing number of digital items to its patrons, including e-books and downloadable audiobooks, as well as streaming video. Community groups use library facilities to hold meetings of civic and educational interest and these facilities are gathering places where people interact, share information and engage in creating content through 21st Century Skills.

The County Library District property tax base is increasing for the fifth year in a row. The tax base is projected to increase 4.75 percent in FY 2019/20.

The FY 2019/20 Recommended Budget for operating costs, grants and operating transfers-out is $52,787,625, which is a $5,012,419 increase from the FY 2018/19 budgeted amount of $47,775,206. The budget will fund increased operating expenses for salaries and benefits, other internal service charges and maintenance costs.

Beginning in this budget year, $0.0400 cents of the Library tax rate is now permanently dedicated for PAYGO capital facilities. The library at the Southeast Regional Park at Houghton Road and Mary Ann Cleveland Way and the new Sahuarita Library will be the first facilities built using this funding strategy. In total, nine PAYGO Capital improvement Projects are scheduled in FY 2019/20. In addition to the two previously mentioned projects, Library capital improvement projects include Wilmot Library Roofing, Martha Cooper Library Expansion, Valencia Library Chiller Replacement, Library Network Improvements, Library Interior Improvements, Library Exterior Improvements, and Library Parking Lot Improvements.

The recommended Library District secondary property tax rate for FY 2019/20 of $0.5353 per $100 of taxable net assessed value is a $0.0200 increase from the tax rate for FY 2018/19. The recommended tax rate is projected to provide $46,252,421 in revenues that will be supplemented by a projected $1,793,600 from fines, interest, grants and miscellaneous revenue and $4,741,604 from the Library District fund balance in order to meet the recommended overall budget of $52,787,625.

2. *Debt Service Fund*

The total Recommended FY 2019/20 Debt Service Fund budget is $107,861,884, a $53,088,375 decrease from the current fiscal year. The Debt Service Fund includes payments on the County's General Obligation debt, the Street and Highway Revenue Bond debt, and Certificates of Participation debt, all of which are long-term debt.

a. General Obligation Debt Service

The County's General Obligation Debt Service is funded by a secondary property tax levy. The FY 2019/20 recommended General Obligation debt service of $60,521,227, an increase of $2,391,895 over FY 2018/19, will fund the existing debt service.

As originally planned when the 1997 Bond Program began, the debt service on new bond sales supported by the secondary tax levy was being offset by ongoing reductions in debt service for existing outstanding bonds. As the 1997 bonds were being retired, 2004, 2006, and 2014 bonds were sold, incurring new debt. The County issued the final General Obligation Bond Authorization in FY 2016/17.

I recommend the General Obligation Debt Service secondary property tax rate remain at $0.6900 per $100 of taxable net assessed value for FY 2019/20. The rate is expected to decrease $0.17 cents in FY 2020/21 to $0.5200. All General Obligation debt is projected to be completely paid off in FY 2028/29.

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 being repaid from the HURF revenues the Transportation Department receives from the State of Arizona. The recommended Street and Highway Revenue Bond debt service of $18,093,617, a $495,446 decrease from FY2018/19, will fund the existing debt service.

c. Certificates of Participation Debt Service

The Certificates of Participation (COPs) debt service of $29,247,040, a decrease of $54,984,824 from FY 2018/19, includes COPs issued in prior years for the acquisition or construction of County facilities such as the Public Service Center, the Fleet Services Facility, the Historic Courthouse, Transportation Local Road Repair Program and various sewer projects. The COPs debt service is paid from funds other than the General Obligation debt service tax levy.

d. 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, 2019, the amount of outstanding sewer revenue debt will be $479,727,871. In addition to this sewer debt, another $9,446,220 of the remaining County debt consists of COPs issued to pay for sewer projects. In total, debt for sewer infrastructure is approximately 53 percent of all County debt.

e. Overall Pima County Debt

Pima County issues four types of investment debt: General Obligation Bonds, Street and Highway User Revenue Bonds, Sewer Revenue Debt and Certificates of Participation. The County's investment debt is not a traditional long-term debt. Rather, it is relatively short-term debt and always limited to 15-year repayment schedules.

Pima County's investment debt peaked in FY 2012/13 at $1.35 billion from all sources. Because the County limits its investment debt to 15-year repayment schedules, at the end of FY 2018/19 current investment debt will be reduced to approximately $915.1 million, which consists of approximately $847 million of existing debt plus three new debt issues totaling approximately $68 million. It is anticipated that total debt at the end of FY 2019/20 will equal $870.6 million. This is a 35.5 percent reduction in just seven years.

3. *Regional Flood Control District*

For the fifth consecutive year, the value of the Regional Flood Control District (RFCD) property tax base is forecasted to increase. The RFCD taxable net assessed value will increase 4.86 percent in FY 2019/20.

The recommended operating budget for the two components of the RFCD is $16,847,906, a net decrease of $66,342 from the current year budget. This amount includes $16,405,221 for Flood Control Operations and $442,685 of expenditures related to the Canoa Ranch In-Lieu Special Revenue Fund. The department does not have any grants budgeted in FY 2019/20.

The RFCD recommended budget also includes operating transfers-out totaling $17,789,602, an increase of $8,400,876 over the current year. These transfers include the following:

- $17,500,000 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program.
- $189,602 to the Stadium District for operating and maintenance costs of the Kino Environmental Restoration Project.
- $80,000 in funding for the County's Native Plant Nursery.
- $20,000 in funding for Tucson Clean and Beautiful.

I recommend the RFCD FY2019/20 secondary property tax rate remain at $0.3335 per $100 of taxable net assessed value.

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

As set forth in Table 9 below, the FY 2019/20 recommended Capital Improvement Plan of$202,085,242 consists of the Capital Projects Fund Budget of $131,336,737, Capital Projects of Regional Wastewater Reclamation of $48,001,306, Information Technology – Internal Service Fund of $19,550,000, and Fleet Services of $3,197,199. A complete list of projects for the Recommended Capital Improvement Plan is included in the Capital Projects section of this Recommended Budget Book.

Table 9: Recommended FY 2019/20 Capital Projects Fund Budget and Capital Improvement Plan.

Capital Improvement Plan	FY 2018/19 Bond and Non-Bond Project Budgets	FY 2019/20 Bond and Non-Bond Project Budgets	Difference	1997 Bonds	2004/2014 Bonds	Non-Bonds
Capital Projects Fund						
Transportation	$87,285,697	$53,146,979	$(34,138,718)	$20,829,754	-	$32,317,225
Facilities Management	43,181,339	41,178,398	(2,002,941)	-	$750,000	40,428,398
Kino Sports Complex	10,959,514	14,427,083	3,467,569	-	-	14,427,083
Flood Control District	19,388,117	18,996,947	(391,170)	-	136,947	18,860,000
Parks and Recreation	145,891	2,125,330	1,979,439	-	-	2,125,330
Information Technology	262,000	262,000	-	-	-	262,000
Community Development	690,246	-	(690,246)	-	-	-
Environmental Quality	656,542	-	(656,542)	-	-	-
Public Works Administration	1,675,000	1,200,000	(475,000)	-	-	1,200,000
Office of Sustainability and Conservation	85,000	-	(85,000)	-	-	-
Total Capital Projects Fund	**$164,329,346**	**$131,336,737**	**$(32,992,609)**	**$20,829,754**	**$886,947**	**$109,620,036**
Wastewater Reclamation	41,375,175	48,001,306	6,626,131	-	-	48,001,306
Fleet Services	2,365,055	3,197,199	832,144	-	-	3,197,199
Information Technology Internal Service Fund		19,550,000	19,550,000	-	-	19,550,000
Total Capital Improvement Plan	**$208,069,576**	**$202,085,242**	**$(5,984,334)**	**$20,829,754**	**$886,947**	**$180,368,541**

1. *Capital Projects Fund Budget*

The recommended $131,336,737 Capital Projects Fund Budget for FY 2019/20 is a decrease of $32,992,609, or 20.1 percent, from the current year's budget of $164,329,346.

Of the total Capital Projects Fund, $20,829,754 is funded through 1997 bonds, $886,947 is funded through 2004/2014 bonds and the remaining $109,620,036 is funded through other non-bond sources including State Revenue, Regional Transportation Authority (RTA) Sales Taxes, Impact Fees, Grants, Certificates of Participation (COPs), and General Funds.

The Department of Transportation has budgeted $53.1 million for 28 projects. The projects include $10.2 million for Valencia Road (Wade Road to Ajo Highway), $9.7 million for Broadway Boulevard (Euclid Avenue to Country Club Road), and $9 million for Valencia Road (Houghton Road to Old Spanish Trail). Funding for the FY 2019/20 Department of Transportation Capital Program consists of $20.8 million in 1997 HURF Bonds, $9.8 million in Impact Fees, $9 million in COPS, $5.9 million in Grants, $3.9 million in RTA Funding, $2.6 million in State Revenue and $1.1 million from various other funding sources.

Facilities Management has budgeted $41.2 million for 21 projects. This year's recommended budget includes $14.6 million for the renovation of the Historic Pima County Courthouse, funded by Other Local Governments and COPs, and $5.7 million for a new Sahuarita Branch Library, funded by the Library District.

The RFCD has budgeted $19 million for 19 projects, including $3.1 million for CDO Wash North Bank (Thornydale to I-10) funded with Tax Levy Revenue and developer funds, $1.8 million for Catalina Ridge Drainage Channel Improvements funded by Tax Levy Revenue and Other Local Governments, $1.7 million for El Corazon de los Tres Rios Del Norte and $1.5 million for Santa Cruz River Maintenance Projects, both funded with the Tax Levy Revenue.

2. *Regional Wastewater Reclamation Capital Budget*

The FY 2019/20 recommended capital budget for the Regional Wastewater Reclamation Department (RWRD) is $48,001,306, an increase of $6,626,131 from FY 2018/19. The FY 2019/20 capital program is planned to be funded with RWRD Obligations. Conveyance projects total $31 million, including $10 million for Minor Rehabilitation Projects, $6 million for Gravity Sewer Installation at Twin Peaks and Blue Bonnet and $3.6 million for a Capacity Augmentation Alignment Study on Speedway Boulevard. Treatment projects total $16.8 million and include $4.3 million for an Anammox Treatment Process Project, $4.2 million for a Biogas Cleaning and Utilization Project and $3.8 million for Nutrient Recovery at the Tres Rios Water Reclamation Facility.

3. *Fleet Services Capital Budget*

The FY 2019/20 recommended capital budget for Fleet Services is $3,197,199, an increase of $832,144 from FY 2018/19. The recommended budget includes $1.7 million for the Ina Road Fuel Island that will be funded through Fleet Operations.

VIII. COMBINED TOTAL COUNTY BUDGET

A. Combined County Property Tax Rate and Levy

The combined primary and secondary property taxes levied by the County fund 37 percent of the total County Recommended Budget expenditures. These are the only County revenues over which the Board has substantial control. The remainder of the County budget is supported almost entirely by charges for services and intergovernmental revenues, primarily State revenue sharing and grants.

As discussed in Section VI above, it is recommended that the County's General Fund primary property tax rate be reduced by 7 cents from the FY 2018/19 rate of $4.0696 per $100 of taxable net assessed value to $3.9996 per $100 of taxable net assessed value. Pursuant to State Truth in Taxation statutes, the levy produced by the General Fund primary tax rate will exceed the neutral primary levy. A Truth in Taxation hearing will be required to be noticed and held at the same time as Final Budget Adoption. The County's FY 2019/20 neutral levy tax rate is $3.9257 per $100 of taxable net assessed value.

The County controls three secondary property tax rates and their associated levies: Library District, RFCD and Debt Service. It is recommended the Library District property tax rate be increased by $.0200 per $100 of taxable net assessed value, the RFCD and the Debt Service property tax rates will remain the same. The net of these changes in the secondary property tax rates and increased taxable net assessed values will produce$7.75 million of additional secondary tax levies in FY 2019/20.

The RFCD and the Library District secondary property tax levies are subject to Truth in Taxation requirements similar to those in place for the County's primary property tax levy as described above. The impact to each district is as follows:

The Library District's FY 2019/20 neutral secondary property tax rate is $0.4971 per $100 of taxable net assessed value. The secondary property tax rate being recommended is $0.5353 per $100 of taxable net assessed value. If the Board adopts the recommended property tax rate, pursuant to statute, the Library District will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption.

The RFCD FY 2019/20 neutral secondary property tax rate is $0.3028 per $100 of taxable net assessed value. The secondary property tax rate being recommended is $0.3335 per $100 of taxable net assessed value. If the Board adopts the recommended property tax rate, pursuant to statute, the RFCD will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption.

The result of these recommendations is a combined County property tax rate of $5.5584 per $100 of taxable net assessed value, a decrease of $0.0500 from the FY 2018/19 tax rates. The FY 2019/20 recommended primary and secondary County tax rates are summarized in Table 10 below.

Table 10: Combined Recommended County Property Tax Rate.

Description	FY 2018/19 Adopted Rates	FY 2019/20 Recommended Rates	Difference
General Fund Primary	$4.0696	$3.9996	($0.0700)
Library District	0.5153	0.5353	0.0200
Debt Service	0.6900	0.6900	-
RFCD	0.3335	0.3335	-
TOTAL	**$5.6084**	**$5.5584**	**($0.0500)**

For the fifth time in last ten years, the value of the County's overall property tax base will increase next fiscal year. Consequently, the rates recommended above will be applied to a primary tax base that is 4.75 percent more than the current year base and to secondary tax bases that range from an increase of 4.75 percent (Debt Service and Library District) to an increase of 4.86 percent (RFCD). These net increases in the tax base, combined with recommended primary and secondary property tax rates, result in the recommended combined County property tax levies increasing by $17,756,605, or 3.8 percent, more than the current year levies as shown in Table 11 below.

Table 11: Combined Recommended County Property Tax Levy.

Description	FY 2018/19 Adopted Levies	FY 2019/20 Recommended Levies	Difference
General Fund Primary	$339,156,105	$349,163,676	$10,007,571
Library District	42,944,550	46,731,502	3,786,952
Debt Service	57,503,861	60,236,758	2,732,897
RFCD	25,266,454	26,495,639	1,229,185
TOTAL	**$464,870,970**	**$482,627,575**	**$17,756,605**

B. Combined County Budget

The FY 2019/20 Combined Recommended County Expenditure Budget is reflected in the budget schedules and departmental budget summaries that follow this memorandum totals $1,309,392,644. This is a $24,707,965, or 1.9 percent, decrease from the FY 2018/19 Adopted Budget of$1,334,100,609.

CHH/lab

c: Jan Lesher, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Deputy County Administrator for Public Works