DR. MATT HEINZ
Supervisor
District 2

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Pima County Board of Supervisors

To: Melissa Manriquez, Clerk of the Board

From: Dr. Matt Heinz, Supervisor, District 2

Date: December 8, 2021

RE: BOS Agenda 12/21/21: PAYGO Policy, Full Funding by FY25

Please add this item to the Regular Agenda for 12/21/21. Thank you.

Board of Supervisors:

Discussion/Direction/Action: Directing the Acting County Administrator and county staff to revise the county's current PAYGO Policy from a 60/60 framework to 80/80, effective for the FY23 Budget cycle, in order to achieve full funding of the County's PAYGO program (*defined as at least $50M each year of recurring General Fund revenues for capital improvements*) by FY25. Under this revision, 80% of the decrease in the secondary tax rate (which is decreasing as Pima County continues to pay off its General Obligation Bond debt) combined with 80% of the growth in the primary tax base, will be allocated to funding capital improvements, as envisioned in the ***Pima County Integrated Infrastructure Plan*** (currently $2.9B of identified capital needs, both funded and unfunded, across the County; *see executive summary enclosed*). This revision to the PAYGO Policy will accelerate the ability of the County to undertake and execute much needed capital improvements, from streets and roads to parks, public health and public safety – including tackling deferred maintenance projects and saving the taxpayers tens of millions of dollars down the road.

As part of this item, I request that staff present to the Board an overview of the existing Capital Improvement Program and the County's Integrated Infrastructure Plan, and how PAYGO affects achievement of our overall capital improvement goals.

Per the memoranda from the County Administrator's Office dated October 7, 2021, October 25, 2021, and November 22, 2021 (enclosed), such a revision to the PAYGO Policy would still result in an overall *decrease* in the County's combined primary and secondary property tax rate each year going forward. This ensures that current taxpayers will continue to accrue savings from the overall growth in the tax base, while we as a community also ensure that we meet the diverse capital improvement needs and challenges we face.

cc: Jan Lesher, Acting County Administrator
Carmine DeBonis, Deputy County Administrator for Public Works
Francisco García, MD, MPH, Chief Medical Officer and Deputy County Administrator for Health and Community Services
Michelle Campagne, Director, Finance & Risk Management
Nancy Cole, Director, Capital Improvement Program

PIMA COUNTY

INTEGRATED INFRASTRUCTURE PLAN 2019 - 2029

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INTRODUCTION

The Pima County Integrated Infrastructure Plan (Plan) seeks to unify the infrastructure planning process across multiple disciplines and departments, planning areas, or desired outcomes. It involves the coordination of separate elements so as to provide a harmonious, interrelated whole. The Plan encapsulates guiding policy directives adopted by the Board of Supervisors in Pima Prospers, the County's Comprehensive Plan; Resolution 2007-84 in Support of County Sustainability Initiatives; and the Pima County Economic Development Plan.

The Plan is a key step in realizing the outcomes envisioned in Pima County's Comprehensive Plan. Pima Prospers outlines a number of key themes and principles, of which the foremost is the creation of a healthy community, including healthy people, a healthy economy, and a healthy environment. These are the same tenets the Board advanced on May 1, 2007 by adopting Resolution 2007-84 in Support of New County Sustainability Initiatives, which established a comprehensive set of goals that cover the three primary elements of sustainability: environmental, social, and economic. That Resolution continues to be updated and confirmed by the Board every few years.

The final input into the Plan is the Pima County Economic Development Plan. Adopted in 2012, and updated through 2021, the Economic Development Plan defines a long-term strategy to attract and retain business and industry to our region. Today's companies want to invest and grow in communities with an excellent quality of life, and that make investments in critical infrastructure. A healthy community is the foundation for commerce.

The investment in physical infrastructure is a core function of county government and essential for a healthy community. Infrastructure and capital assets allow for the delivery of key public services and the movement of people and goods across the County, which are crucial components in fostering the County's long-term economic growth. Since 1997, Pima County voters have approved four bond packages that have resulted in over 700 projects being completed to date. Despite more than $3.6 billion invested over the past two decades, there continues to be unmet needs in the County's infrastructure, including a backlog of repair and maintenance on existing roadway infrastructure. Recent increases in funding for this purpose have begun to address the need; however more investment is necessary to bring the roads in unincorporated Pima County to good or better condition.

Over one third of capital investment in the Plan is related to the County's transportation system. This reflects the sheer size of the County's transportation infrastructure and the Board's commitment to improve roadway conditions across the region.

Over the last few years, the County has been exploring ways to maintain the existing Capital Improvement Program at current funding levels despite the loss of revenue from voter-approved general obligation bonds. The County has been issuing Certificates of Participation (COPS) to supplant the loss of revenue necessary to maintain our existing capital assets, while meeting the needs of a growing region. The County has been transitioning to a pay-as-you-go (PAYGO) method of funding capital improvements. The Library District and the Regional Flood Control District have been operating under this model for several years, using funds raised through their property tax levy to maintain existing assets, and fund new capital related expansions. The Regional Wastewater Reclamation Department has been operating on a PAYGO basis through the issuance of COPS that are repaid through billing revenue. The COPS are considered medium-term, low interest debt, and are usually repaid within ten years.

Arizona counties, as outlined in the Arizona Constitution, are also responsible for providing core services such as human services, criminal justice, public welfare, and infrastructure. United States Public Law 88-452, the Economic Opportunity Act of 1964, and the State of Arizona authorizes counties to strengthen, supplement, and coordinate efforts for the distinct purpose of eliminating poverty, expanding educational opportunities, increasing the safety net for the poor and unemployed, and tending to the health and financial needs of the elderly. This Plan addresses capital improvements needed to meet these objectives. Pima County plays an important and strategic role within the State of Arizona, both as the largest provider of services in Southern Arizona and as a part of the Sun Corridor. The Sun Corridor is the central population spine that links our international border with Mexico, north to the Prescott area, and includes Maricopa and Pima counties. This megaregion will see the greatest share of population, job, and economic growth in the state. Sustained investment in the infrastructure that supports this region is seen by industry as the culmination of commitment, cooperation, and leadership.

This Plan addresses not only current infrastructure needs, but also responds to projected growth in the region. The Plan positions Pima County to successfully attract and retain high-wage business and industry through tactical investment specific to targets identified in the Economic Development Plan.

The Plan also recognizes the fiscal realities and efficiencies that must be in place for successful implementation of the Economic Development Plan. It marries the work on economic growth and development, human service infrastructure, physical infrastructure, and the County's continuing conservation interests, while taking a broad view of the County's role in the region and the Sun Corridor.

Consistent with Pima Prospers, the Plan breaks the County into 13 distinct planning areas that cross jurisdictional boundaries because much of Pima County's infrastructure is not limited to the unincorporated area. Pima County consists of five jurisdictions, of which the City of Tucson – the County seat – is the largest. The vast majority of the County population lives in and around Tucson, filling much of the eastern part of the County. The other jurisdictions are the Town of Oro Valley, the Town of Marana, the Town of Sahuarita, and the City of South Tucson.

The Pima Prospers' Planning Areas include:

- Avra Valley
- Tucson Mountains
- Southwest
- Altar Valley
- Upper Santa Cruz
- Mountain View
- Southeast
- Central
- Catalina Foothills
- Rincon Valley
- Tortolita
- San Pedro
- Western Pima County

Over one third of the County's population lives in the unincorporated County and there are numerous unincorporated communities, such as Ajo, Why, Green Valley, Vail, Catalina, Robles Junction, Arivaca, and Picture Rocks. The County also includes two sovereign nations: The Tohono O'odham Nation and the Pascua Yaqui Tribe. The Tohono O'odham Nation comprises a large area of central Pima County and includes the physically separate San Xavier District in the Tucson metropolitan area. The Pascua Yaqui Tribe has a growing land ownership in the southwest part of the Tucson metropolitan area. The remainder of the County is rural in nature with a very small percentage of the total County population.

The Integrated Infrastructure Plan is similar to other planning documents in that it is an infrastructure planning tool, and it has a time-related window of relevancy. The document will be updated yearly to inform the County's annual capital budgeting process. As Pima County experiences changing project priorities affecting project scope or start dates, schedules may extend or compress, and construction costs will be different across time. Creation of an integrated plan allows Pima County to plan ahead for short-term and long-term needs in support of the one year Board of Supervisor's annual adopted capital budget.

INVENTORY OF ASSETS

The County has invested significant capital to construct and maintain the infrastructure that is in place today. These previous and future investments are necessary to provide the infrastructure services that positively impact quality of life for all of Pima County's residents. The County owns a wide variety of assets, from roads and bridges, to parks and ranches, office buildings and libraries, attractions facilities, natural and constructed drainage ways, and sewer conveyance pipes and treatment plants. The existing physical asset inventory has a replacement value of more than $4.6 billion dollars. Continued maintenance is critical to ensure these assets function as designed throughout their useful life. The table below shows a categorical breakdown of the existing assets and their value.

Table 1: Value of Assets

Asset Class	Description	Value	% of Total
Buildings	Civic offices, public works facilities, sheriff's buildings, libraries, and tourism attractions	$768,910,800	17%
Other Improvements	Landfills, ranches, recreational facilities, cultural resources, flood control facilities	$165,714,597	4%
Infrastructure	Roads, drainage facilities, bike and pedestrian facilities, traffic signals, parks,	$1,562,020,564	34%
Land	Flood control, ROW easements, open space	$502,873,862	11%
ROWs/Easements	Transportation, Parks, Flood Control, Sewer	$35,833,813	1%
Wastewater Buildings and Sewer Infrastructure	Sewer conveyance, treatment facilities, land and easements	$1,595,752,250	34%
	Total Replacement Value	**$4,631,105,887**	**100%**

MAINTENANCE OF EXISTING INFRASTRUCTURE

Properly maintaining County facilities ensures the longest useful life and reduces the need to build new facilities. Actions like repainting, re-roofing, repairing wiring and plumbing, dredging of river or stream-beds to restore original flow capacity, replacing old mechanical equipment, and repairing and treating road surfaces can all extend the useful life of infrastructure. Many departments, without a regular dedicated income stream, undertake only the most critical activities to keep facilities operational, and other maintenance items are deferred while waiting for potential future funding to become available. Deferring routine maintenance can lead to facility deterioration – and ultimately failure – as is the case with many of our region's roads. Deferred maintenance can be costly and, if facilities deteriorate significantly, may pose a threat to public safety and the economic vitality of the region.

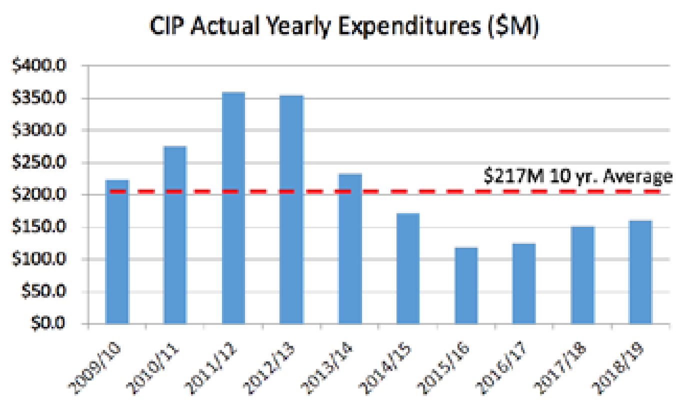
INFRASTRUCTURE PLAN

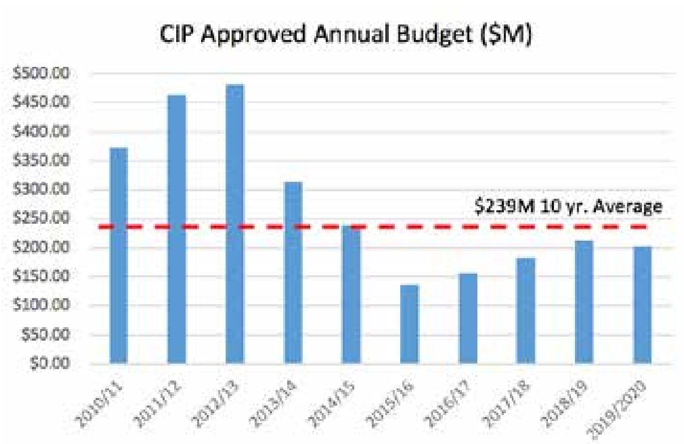
Capital projects are those that construct, maintain or improve a county asset, often called infrastructure. To be included in the capital budget, a project must be new construction, or an expansion, renovation, or replacement project for an existing facility or facilities.

The primary component of the Plan is the existing Pima County 10-year Capital Improvement Program (CIP). The CIP is organized by department or service area with the bulk of vertical facility projects included under "General Government and Facilities Management". In Pima County, vertical buildings and their capital components are typically planned for, and delivered by, the Facilities Management Department. However, larger departments with new building needs may include those in their individual capital budgets. Each department has provided a summary overview of their program, which includes a brief synopsis of the functions they perform, their project prioritization criteria, and their top capital projects, starting on page 14. Some departments have very limited programs. Those departments may have provided their total project list. Departments with large capital programs provide only their top ten or so projects or programs in the synopsis. Following the individual department summary sheets is the full list of capital improvement projects by department along with maps of the project locations.

The Plan seeks to align, to the maximum extent possible, the budget, capital improvement program, and other funding plans with Pima County's three key initiatives: Pima Prospers, the Sustainable Action Plan for County Operations (SAPCO), and the Economic Development Plan. Projects and programs identified in the Plan support the vision, goals, and themes of these initiatives. The Plan identifies the specific investment needed over the next ten years to achieve these desired outcomes.

The Plan was developed without constraining the level of investment (cost) necessary for projects identified as being necessary and consistent with current and future goals of the County. A historical review of the previous ten years of actual CIP expenditures, as well as the past ten years of approved individual year CIP annual budgets, shows a consistent trend in expenditure levels and annual budget authority. The Plan as developed is consistent with this trend of allocating an average annual amount of $239 million over the ten year period from Fiscal Year 2008/2009 to 2018/2019.





The Plan provides the criteria by which priorities were determined and the list of projects for the coming ten-year timeframe. Examples of criteria utilized for prioritizing projects include Environmental Protection, Safety, or Return on Investment.

To accomplish the goals of the Board's adopted key visionary plans, Pima County must continue to invest in preventive maintenance and capital infrastructure expansion. Creation of new or enhanced infrastructure and the maintenance of existing infrastructure are both key elements in the Plan. All are essential for a healthy community.

CAPITAL IMPROVEMENT PROGRAM SYNOPSIS

The Pima County 10-Year Capital Improvement Plan includes over 400 projects at a total cost of $2.9 billion in today's dollars. The total cost for projects included in the Plan is consistent with the average annually allocated CIP budget exceeding $200 million each year over the last ten years. Priority projects account for $778 million of the total CIP program.

Table 2: Priority project by department

Department/Service area	Project	Project cost
Transportation	Pavement Maintenance	$562,000,000
Regional Wastewater Reclamation	Aerospace Corridor Augmentation	$48,805,519
Regional Flood Control District	El Corazon Del Tres Rios Del Norte	$13,860,844
Natural Resources, Parks and Recreation	Pool and Splash Pad Program	$4,181,050
Sustainability & Conservation	Open Space Conservation-MSCP mitigation land	$30,000,000
Economic Development	Sunset Campus	$6,700,000
Environmental Quality - Solid Waste Management	Ina Road Landfill Closure	$11,408,354
Community & Health Services		
Health Department	Health North Office	$7,000,000
Pima Animal Care Center	Spay/neuter and wellness vehicle	$300,000
Office of the Medical Examiner	Replace PCOME physical plant	$25,000,000
Stadium District	North Concessions Expansion Upgrade	$323,400
Attractions and Tourism	Southeast Regional Park Sewer Connection	$2,695,000
Sheriff's Department	Vail District Office	$1,940,400
Library	Sahuarita Library New Construction	$9,000,000
Community Services, Employment & Training	Las Artes Building Upgrade	$31,800
Information Technology	Pima County Network, Telecommunications and Data Center switching, routing & firewalls	$25,960,000
Facilities Management	Downtown Central Plant Chiller and Pump Replacement	$2,800,000
	Main Jail (Medium Security Facility) Cooling Replacement	$1,000,000
	New Kino Parking Garage Structure	$25,000,000
	Priority Projects Total	**$778,006,367**

Approximately $1.2 billion or 40 percent of the programs remain unfunded, as shown in Table 4.

Table 4: Percent of projects not funded

Department / Service area	Total proj. costs	# of projects	Fully funded projects		Partially funded projects		Unfunded projects		% Projects unfunded
			# of projects	Project costs	# of projects	Project costs	# of projects	Project costs	
Transportation	$1,255,539,582	44	23	$113,274,244	15	$872,160,338	6	$270,105,000	22%
Regional Wastewater Reclamation	$437,541,574	81	81	$437,541,574			0		0%
Regional Flood Control District	$227,437,116	46	12	$30,691,143	11	$131,454,196	23	$65,291,777	29%
Natural Resources, Parks and Recreation	$38,066,050	42	1	$140,000			41	$37,926,050	100%
Sustainability & Conservation	$36,850,000	8	0				8	$36,850,000	100%
Economic Development	$307,240,000	29	0		1	$1,200,000	28	$306,040,000	100%
Environmental Quality - Solid Waste Management	$16,650,000	4	0		1	$11,408,354	3	$7,200,000	43%
Community & Health Services	$39,600,000	5	0		4	$14,600,000	1	$25,000,000	63%
Stadium District	$25,324,130	36	0				36	$25,324,130	100%
Attractions and Tourism	$15,199,800	9	0				9	$21,677,800	143%
Sheriff's Department	$15,523,200	9	0				9	$15,523,200	100%
Library	$67,250,000	12	0		2	$13,000,000	10	$54,250,000	81%
Community Services, Employment & Training	$9,831,800	4	0				4	$9,831,800	100%
Information Technology	$81,800,000	3	0				3	$81,800,000	100%
Facilities Management	$359,365,800	81	9	$29,181,900	15	$95,720,900	57	$225,463,000	63%
District Totals	**$2,933,219,052**	**413**	**126**	**$610,828,861**	**49**	**$1,139,543,788**	**238**	**$1,182,282,757**	**40%**

The projects identified in this program reflect current known needs or deficiencies. The Department of Transportation's current program, which is the single largest department program identified, represents almost one-third of the projected County capital needs. This program exceeds $1.1 billion including the pavement repair and preservation program.

Project budgets are presented in today's dollars and are not adjusted for inflation. Using the Consumer Price Index (CPI) standard inflation-rate over the past ten years would equate to an average increase in overall project costs of 1.7 percent per annum. Applied to the future infrastructure projects, that results in a potential increase of $196 million over the next ten years. However, the CPI is used for a broad grouping of commodities and does not necessarily reflect the specific inputs related to construction. Using the industry standard from Mortenson Construction Cost Index (CCI) for the Phoenix area, construction costs have risen 30 percent in the past ten years based on the most current available data of June 2018 (See Appendix A on page 141). The CCI includes commodities such as lumber, asphalt, and concrete. For example, asphalt is a primary commodity for transportation projects; the County's largest infrastructure program. Asphalt costs are closely tied to the cost of crude oil. Crude oil has fluctuated widely over the past ten years with a high of $133.9 per barrel in 2008 to a low of $30.32 in 2016. Applying the CCI from the past ten years to the unfunded portion of the infrastructure program results in a potential increase of $347 million.

Clearly, forecasting cost increases over the ten year period is difficult. However, applying the above noted indices results in a very rough forecasted range of $196 million to $347 million. The past ten years were historically low in all indices due to the protracted recovery from the Great Recession. Economists expect a moderate increase in the coming years. Delaying unfunded projects to the future may have significant cost impacts.

It's important to keep in mind that the Plan is a living planning document and it will continue to serve a source of information to inform the Pima County CIP Program. Each department's capital project list will be updated annually, with a focus on the ten year, five year, and one year project cycle. The full 10-year project list will focus on large scale, regional projects that add capacity such as the Southeast Regional Park; or programs that rehabilitate existing infrastructure to extend the useful life of the infrastructure. The 5-year project list will start to bring specific projects into the capital project planning process, where project specific details and costs are refined, and compared against other department capital lists for project conflicts and coordination. The information in this initial Plan has already been utilized by departments in preparing their 5-year project lists and the Fiscal Year 2020 Capital Improvement Plan Fund project list and budget that was adopted by the Board.

The Plan is reviewed and updated annually with departmental input as part of the capital budgeting process to confirm needs and priorities, review changes in cost and to review funding sources before the Capital Improvement Plan Fund budget is adopted by the BOS. Changes to the source documents that establish the fundamental policy framework for the Plan, such as Pima Prospers, the Sustainable Action Plan for County Operations, and the Economic Development Plan, may result in adjustments to the Plan which is intended to serve as the implementing document for many of the prescribed initiatives and subsequent projects. Changes to the Plan are currently reviewed and evaluated by the internal group of County departments that plan, manage and deliver capital projects. Reporting mechanisms are being considered and will be developed to provide regular updates on Plan performance and outcomes with the goal of more fully tracking and communicating the progress and impact of the Pima County Capital Improvement Plan program and associated investment of resources.

MEMORANDUM

Date: November 22, 2021

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

From: Jan Lesher
Chief Deputy County Administrator

Re: **Pay-As-You-Go (PAYGO) Tax Levy and Estimated Collections**

In Memorandums dated October 7, 2021 and October 25, 2021, from the County Administrator (attached), Mr. Huckelberry reminded the Board of Supervisors that the Board has presently approved a 60/60 scenario, which will currently be used in the development of the Fiscal Year 2022/23 Budget. This means that 60 percent of the decrease in the secondary tax rate, which is decreasing as our general obligation bond debt is repaid and 60 percent of the growth in the primary tax base will be allocated to fund capital projects. The remaining portions of both will be dedicated to reducing the overall tax rate.

There were scenarios that could be used to accelerate the Pay-As-You-Go (PAYGO) program to project when we could achieve at least $50 million each year of recurring General Fund Revenues for capital improvements. These scenarios were attached to the October 7, 2021 Memorandum. The first is a 90/90 scenario, which achieves the targeted goal in Fiscal Year 2023/24; second is an 80/80 scenario, which reaches the goal by Fiscal Year 2024/25; and a third projection that achieves the goal by FY 2025/26 using a 70/70 scenario.

Attached to the October 25, 2021 Memorandum was a graph showing the projected overall Tax Rate by fiscal year for each scenario.

Mr. Huckelberry asked that members of the Board of Supervisors advise if they would like to discuss this matter further. As we begin the budget process in January 2022, please let me know by December 31, 2021 if you would like to revisit the current 60/60 allocation.

JL/dym

Attachments

c:

Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer, Health and Community Services
Michelle Campagne, Director, Finance and Risk Management

MEMORANDUM

Date: October 7, 2021

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

From: C.H. Huckelberry
County Administrator

Re: **Pay-As-You-Go (PAYGO) Tax Levy and Estimated Collections**

Previously, the Board of Supervisors asked if there were scenarios that could be used to accelerate the Pay-as-You-Go (PAYGO) program. I asked our Finance and Risk Management Department to perform various analyses associated with the projection of when we could achieve at least $50 million each year of recurring General Fund revenues for capital improvements.

If you will recall, the presently approved scenario is a 60/60 scenario. The attached memorandum outlines three additional scenarios and indicates that under one scenario we could achieve the targeted goal in Fiscal Year (FY) 2023/24 in a 90/90 scenario; reach the goal by FY 2024/25 with an 80/80 scenario and reach this goal in FY 2025/26 with a 70/70 scenario.

Please advise if you would like to discuss this matter further. Direction will be needed in constructing the budget for Fiscal Year 2022/23; that process begins in January 2022.

CHH/anc

Attachment

c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer, Health and Community Services
Michelle Campagne, Director, Finance and Risk Management

PIMA COUNTY
FINANCE & RISK MANAGEMENT

Date: October 5, 2021

To: C.H. Huckelberry
County Administrator

From: Michelle Campagne
Finance & Risk Management Director

Thru: Jan Lesher
Chief Deputy County Administrator

Re: PAYGO Tax Levy and Estimated Collections Response

In response to your attached memorandum dated September 20, 2021, I reviewed the Pay-As-You-Go Program calculation and created the scenarios presented in the Table below.

PAYGO Funds available under various combinations of the Cumulative Decrease in Secondary Property Tax Rate/Increase in the Primary Property Tax Base

	90/90 Scenario		80/80 Scenario		70/70 Scenario	
	Levy	**Tax Rate**	**Levy**	**Tax Rate**	**Levy**	**Tax Rate**
FY 2021/22	$ 26,693,502	$0.2753	$ 26,693,502	$0.2753	$ 26,693,502	$0.27530
FY 2022/23	40,822,971	$0.4032	37,907,046	$0.3744	34,991,119	$0.34560
FY 2023/24	51,117,950	$0.4847	47,068,168	$0.4463	43,039,478	$0.40810
FY 2024/25			54,796,159	$0.5004	49,835,596	$0.45510
FY 2025/26					51,753,215	$0.45610

Given the current estimated growth in the tax base, the 90/90 Scenario will achieve $50 million in Fiscal Year 2023/24, the 80/80 Scenario will achieve $50 million in Fiscal Year 2024/25 and the 70/70 Scenario will achieve $50 million in Fiscal Year 2025/26.

Attachment

c: Jan Lesher, Chief Deputy County Administrator

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

MEMORANDUM

Date: September 20, 2021

To: Michelle Campagne, Director
Finance and Risk Management

From: C.H. Huckelberry
County Administrator

Re: **PAYGO Tax Levy and Estimated Collections**

I appreciate the analysis and separation of the primary property tax rate into what I would deem to be the operational component of the primary tax rate as well as the capital or Pay-As-You-Go (PAYGO) component. I note that the current PAYGO primary tax for Fiscal Year 2021/22 is at 0.2753. By my estimate of the PAYGO tax rate, to achieve a steady state of new investment in capital infrastructure of $50 million per year will need to be approximately $0.55. Hence, we are nearly halfway to achieving this steady state tax rate for the PAYGO program. It is now structured on a 60 percent tax rate transfer reduction in debt service and a 60 percent transfer in growth.

If the Board were to adjust the policy allocations to 70, 80 and 90 percent, how soon could we achieve the $0.55 PAYGO allocation given current robust growth in the tax base?

CHH/anc

c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer, Health and Community Services

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MEMORANDUM

Date: October 25, 2021

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

From: C.H. Huckelberry
County Administrator

Re: **Pay-as-You-Go Scenarios Related to Overall Estimated Combined Tax Rate**

In a previous memorandum, I indicated that given the current fiscal forecast associated with economic conditions in the County, it would be possible to examine a number of different scenarios where the achievement of full funding (defined as at least $50 million in recurring General Fund Revenue) for the Pay-as-You-Go Program (PAYGO) was achieved.

Or present scenario is demonstrated by the blue line on the attached graph, which indicates achieving this target rate for funding the annual PAYGO Program being reached in Fiscal Year (FY) 2027/28. Three additional scenarios are portrayed, each reducing the timeframe when the PAYGO goal would be achieved. The green circle dots on the graph indicate the timeframe when each scenario would achieve the $50 million PAYGO goal.

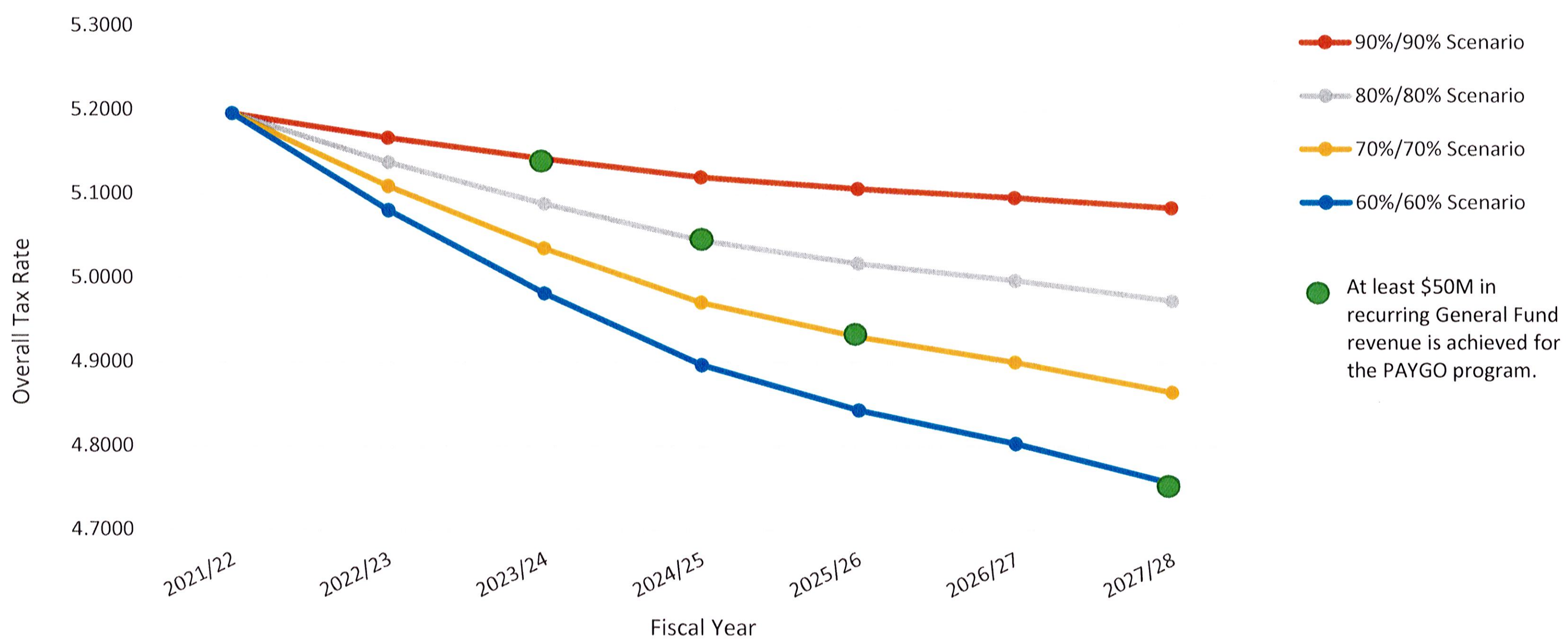
In all scenarios, you will see the overall County property tax rate decline from its present value in FY 2021/22, which is 5.1952 per $100 of taxable net assessed value.

CHH/anc

Attachment

c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer, Health and Community Services
Michelle Campagne, Director, Finance and Risk Management

Estimated Overall Tax Rate by Fiscal Year using the PAYGO Scenarios



Note 1: Tax rates above include the Primary (Primary & PAYGO) and Secondary Tax Rates (i.e. Debt Service, Library and Flood Control). For FY 2022/23 and later, Debt Service tax rates are assumed to follow the schedule shown in Attachment 2 of the November 5, 2019 memo "Board of Supervisors Policy for General Fund Pay-As-You-Go Capital Improvement Funding". The Library and Flood Control Tax rates are assumed to remain at $0.5353 and $0.3335, respectively, for all years.

Note 2: Growth in the tax base follows the most recent 5 year forecast for Taxable Net Assessed Value through FY 2025/26 and assumes 2.0% growth in the tax base thereafter.