



MEMORANDUM

Date: May 19, 2014

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

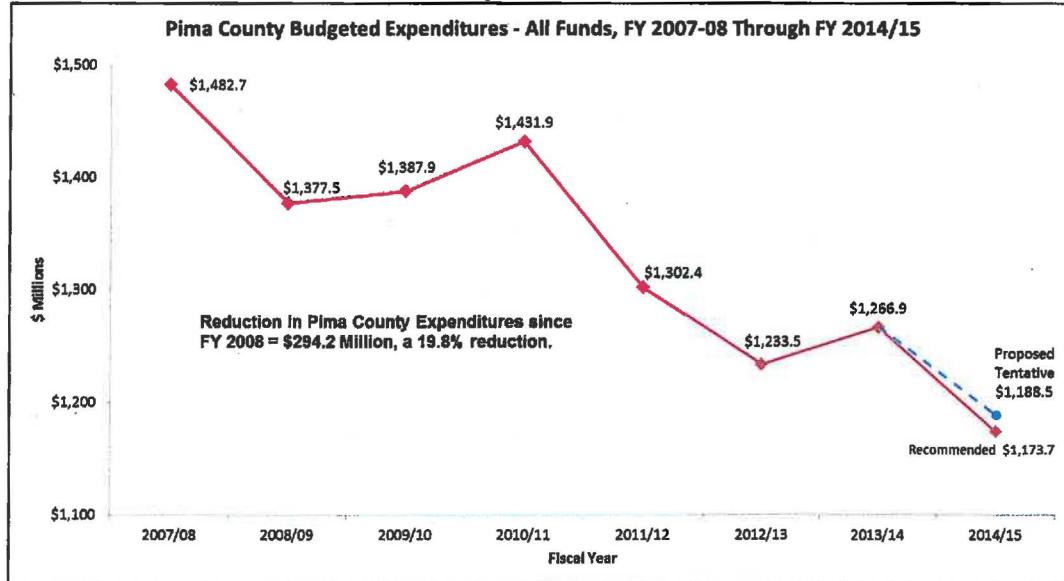
From: C.H. Huckelberry,
County Administrator

Re: **Budget Facts**

Total County Budget

As shown in Figure 1 below, the total County budget has decreased considerably since 2008 from \$1.48 billion to \$1.18 billion, a reduction of nearly \$300 million, or 20 percent.

Figure 1.



General Fund

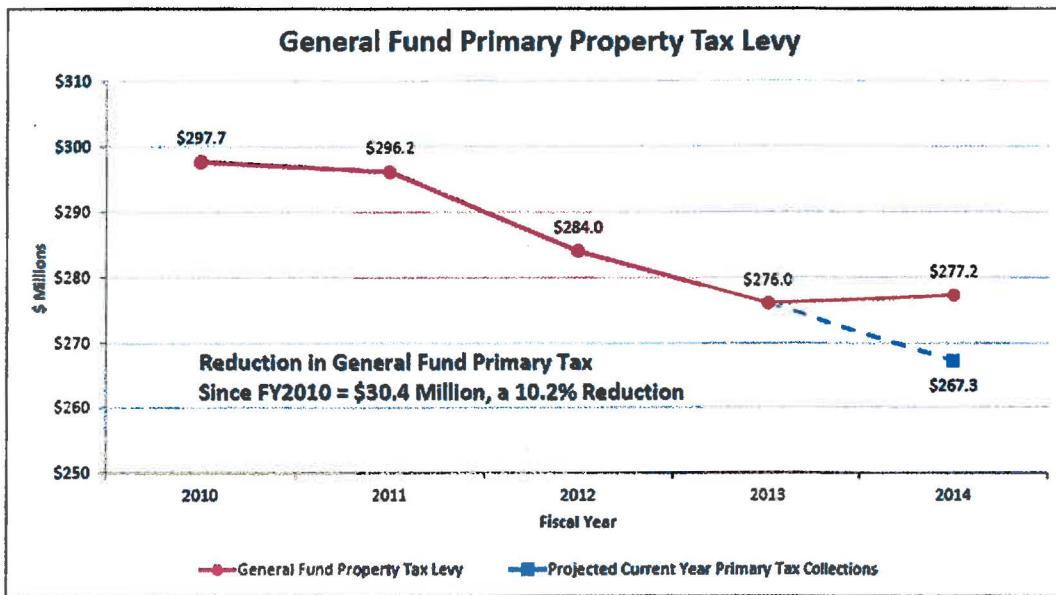
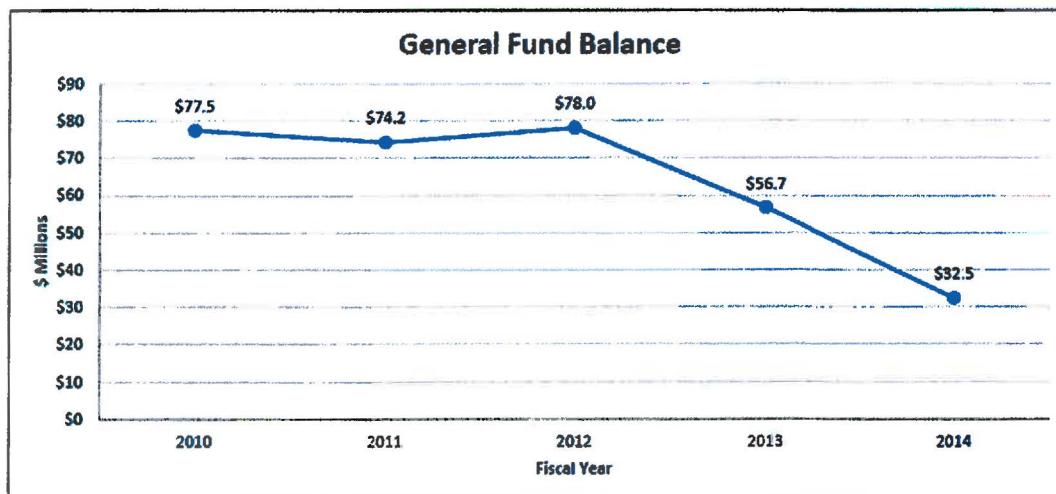
The County primary property tax, which is based on the primary assessed value base, has declined 17 percent since 2010. As shown in Figure 2 below, the primary property tax levy has declined by \$30.4 million over the same four-year period, which is a 10.2 percent reduction. The primary property tax received in 2010 was nearly \$298 million; the amount to actually be received versus levied in 2014 will be \$267 million.

The Honorable Chair and Members, Pima County Board of Supervisors
 Re: Budget Facts
 May 19, 2014
 Page 2

The fund balance during a similar period has declined from \$77 million to \$32 million. The fund balance surplus has been used to balance the budget since 2010, allowing the property tax reduction over the period from 2010 to 2014.

Figure 2.

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund Ending Balance	\$77,451,391	\$74,238,644	\$78,046,580	\$56,684,092	\$32,474,480
Primary Property Tax Levy	\$297,723,590	\$296,197,333	\$284,023,289	\$275,951,044	\$277,155,468

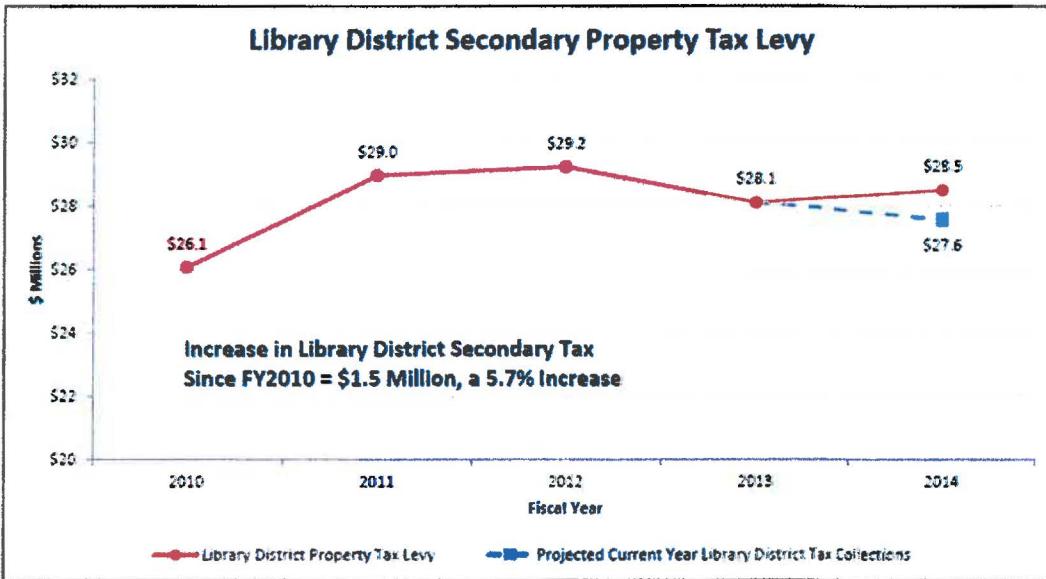
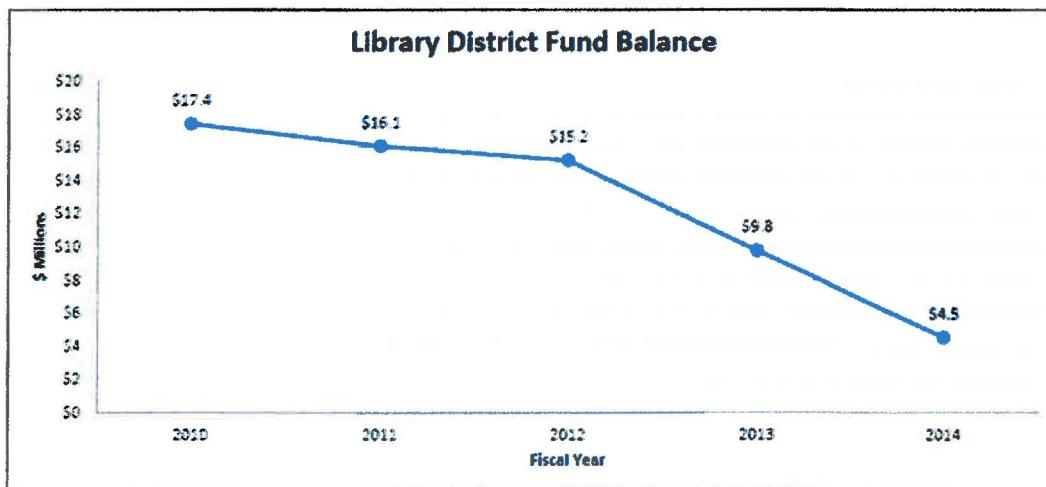


Library District

The library system is funded through the secondary tax base. This tax base has declined by 25 percent since 2010. The fund balance and tax levy for the Library District are shown in Figure 3 below.

Figure 3.

	Fiscal Year				
	2010	2011	2012	2013	2014
Library District Ending Fund Balance	\$17,438,701	\$16,088,341	\$15,216,724	\$9,760,440	\$4,526,990
Library District Property Tax Levy	\$26,062,573	\$28,961,940	\$29,231,054	\$28,081,413	\$28,487,320



The Honorable Chair and Members, Pima County Board of Supervisors
Re: Budget Facts
May 19, 2014
Page 4

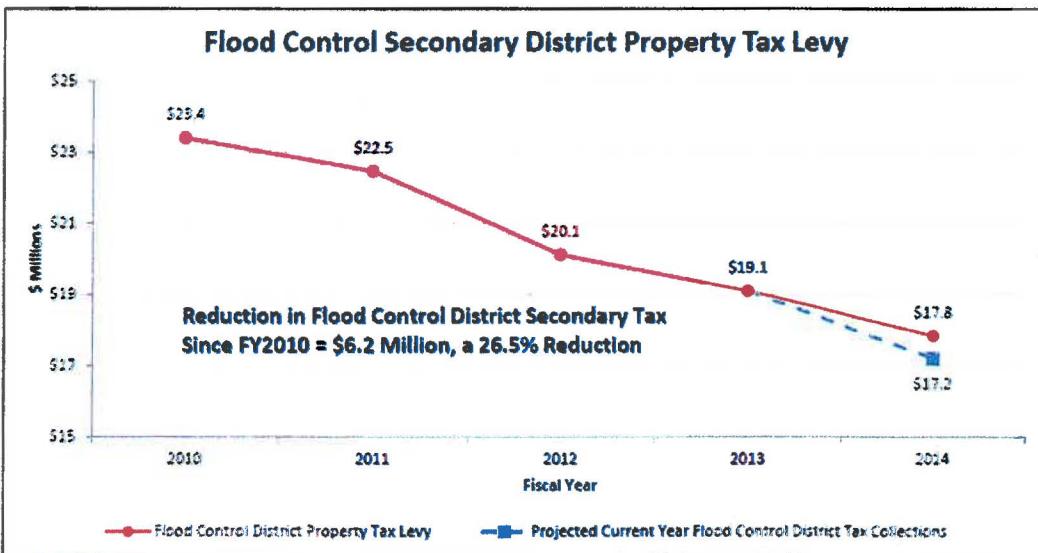
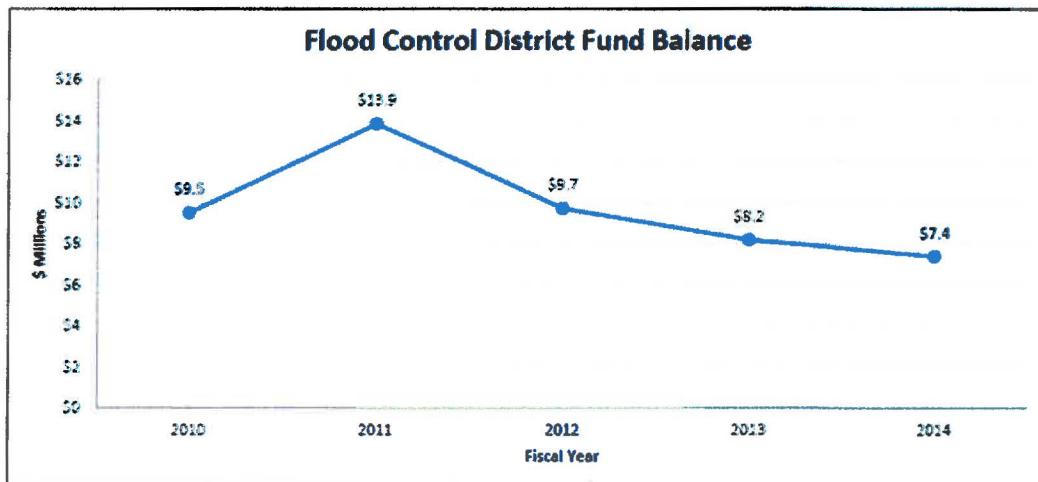
The Library District budget is structurally unbalanced by design in order to draw down the excessive fund balance of \$17 million in 2010 to \$4 million in 2014. The tax rate should be increased \$0.06 this year to reduce the structural imbalance. However, it is likely another \$0.04 to \$0.06 increase will be necessary in Fiscal Year (FY) 2015/16 to achieve balance between projected expenditures and revenues.

Flood Control District

The Flood Control District fund balance and levy are shown in Figure 4 below.

Figure 4.

	Fiscal Year				
	2010	2011	2012	2013	2014
Flood Control District Ending Fund Balance	\$9,507,085	\$13,850,684	\$9,711,956	\$8,191,220	\$7,390,056
Flood Control District Property Tax Levy	\$23,412,476	\$22,474,309	\$20,116,215	\$19,089,598	\$17,834,883



The Honorable Chair and Members, Pima County Board of Supervisors
Re: Budget Facts
May 19, 2014
Page 5

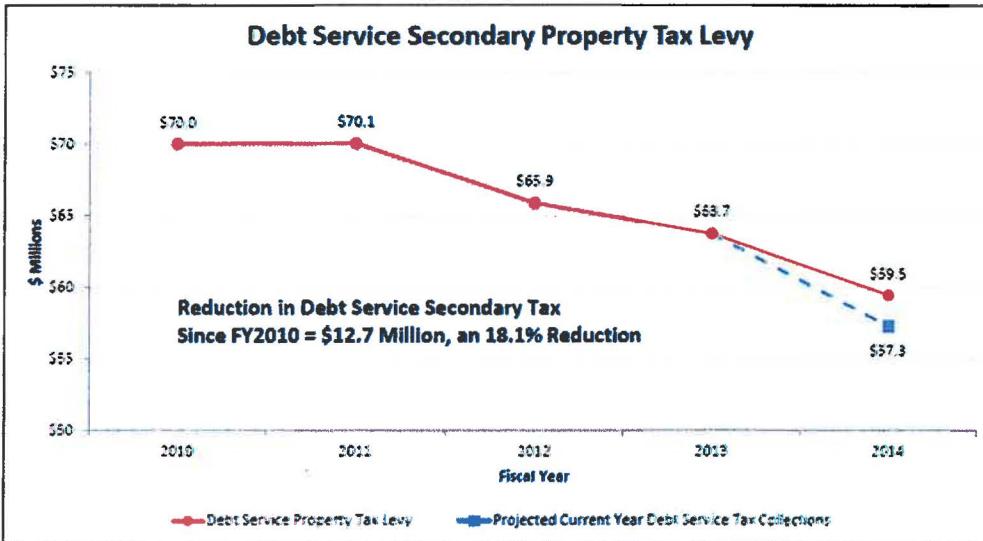
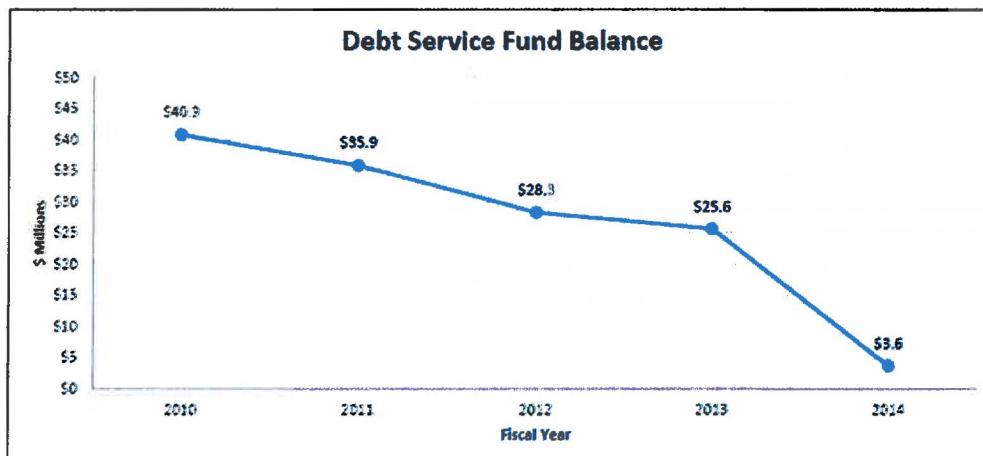
The property tax levy has been reduced by 26.5 percent from 2010 to 2014 and cannot be reduced any further. I am recommending a \$0.04 increase in the Flood Control District levy to offset additional operating and maintenance costs of the river park system being transferred from the Natural Resources, Parks and Recreation Department to the Regional Flood Control District.

Debt Service

The debt service fund balance and levy are shown in Figure 5 below. The debt service levy will continue to decrease as more debt is being retired than issued. This allowed the \$0.08 decrease in the debt service property tax levy required to make principle and interest payments on the County's General Obligation bond debt.

Figure 5.

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Service Ending Fund Balance	\$40,868,082	\$35,902,558	\$28,297,978	\$25,639,661	\$3,641,391
Debt Service Property Tax Levy	\$70,012,964	\$70,069,209	\$65,896,596	\$63,735,453	\$59,464,792

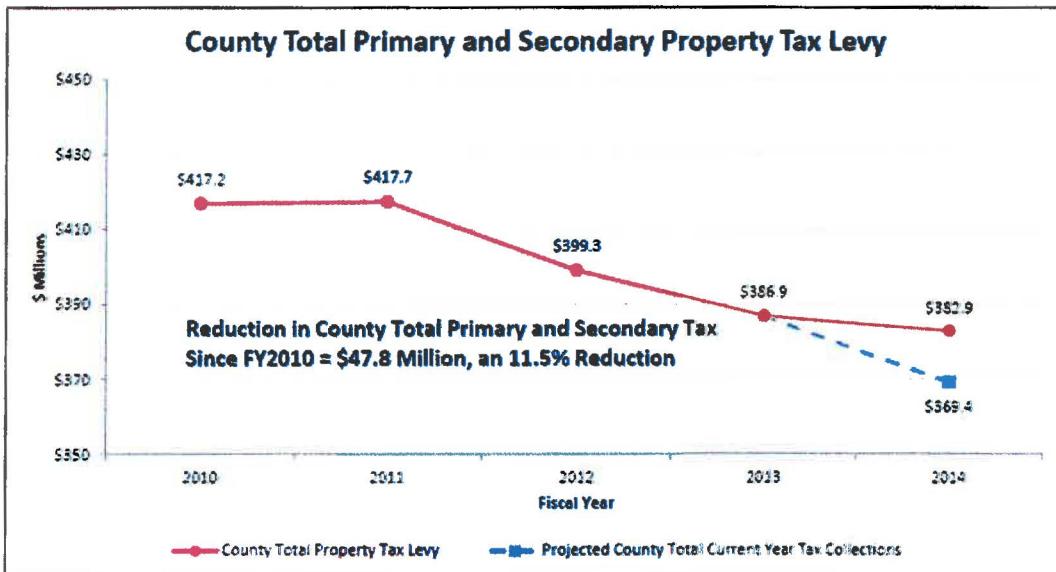
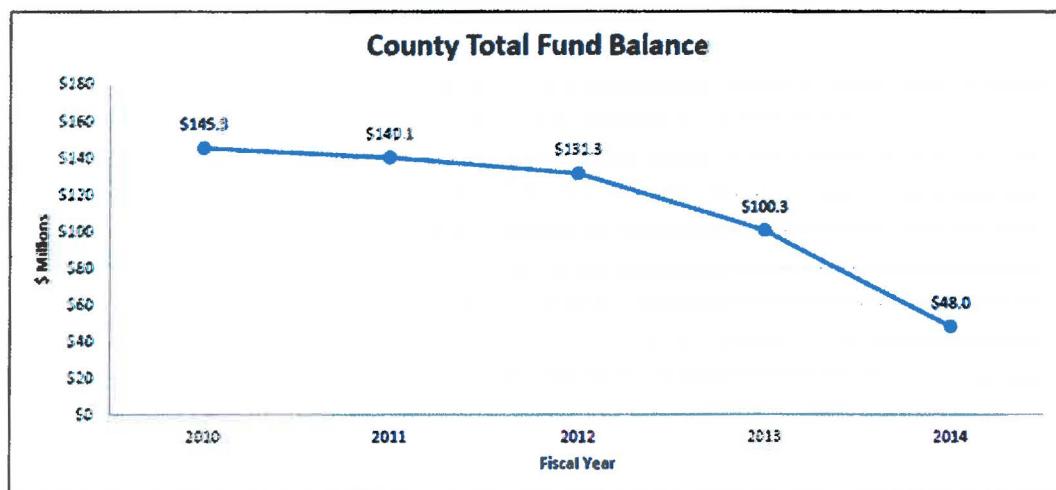


Total County Property Tax Levy

Figure 6 below shows the total combined primary and secondary property tax levies and fund balances over the period 2010 to 2014. The fund balance has declined from \$145 million to \$48 million, and the total property tax levy of primary and secondary taxes, including that anticipated to be collected in 2014, has decreased \$47.8 million, or 11.5 percent.

Figure 6.

	Fiscal Year				
	2010	2011	2012	2013	2014
County Total All Funds Ending Balance	\$145,265,259	\$140,080,227	\$131,279,238	\$100,275,413	\$48,032,917
County Total Property Tax Levy	\$417,211,603	\$417,702,791	\$399,267,154	\$386,857,508	\$382,942,463



The Honorable Chair and Members, Pima County Board of Supervisors
Re: Budget Facts
May 19, 2014
Page 7

Critical Funding Needs to Provide Services Similar to Those Currently Provided

There are a number of key areas that now require additional funding in order to retain the level of service currently being provided. I have previously provided the Board of Supervisors with a number of communications regarding these critical areas that require additional funding. It should be noted that although we forecasted a slight increase in assessed value or property tax base growth this year, the property tax base continued to decline to a point where the primary and secondary tax bases are now similar. The market-driven secondary property tax base has contracted 25 percent, and the primary Constitutionally-controlled tax base has declined 17 percent.

The following areas require significant funding:

Justice and Law Enforcement

Sheriff's Department, \$5.6 million; contracted attorneys for indigent defense, \$2 million; and Consolidated Justice Courts building debt repayment, \$5 million.

Total Justice and Law Enforcement: \$12.6 million; approximately 17 cents.

Employee Benefits and Annualized Salary Increase

Employee benefits that increased this fiscal year and the expected increase in the next fiscal year is \$6.9 million. The cost to annualize the salary increase given last fiscal year is \$2.3 million.

Total Employee Benefits and Annualized Salary Increase: \$9.2 million; approximately 12 cents.

Matching Property Tax Revenues to Receipts

The property tax receipts from the primary property tax levy fell short of the levy by \$4.2 million. Hence, in reality, last year's budget, rather than being a projected tax increase of \$1.2 million, was actually another tax decrease of \$4.2 million.

Total Revenue Rebuild, \$4.2 million, or approximately 6 cents.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: Budget Facts
May 19, 2014
Page 8

Biennial Election Funding

The County is required by law to pay the cost of conducting elections in the County, specifically the biennial General Election. This requires significant additional funding during the actual election cycle. The 2014 General Election, which falls in the FY 2014/15 budget, requires funding at a level of \$5.3 million, of which \$1.3 million is received from other jurisdictions. This is a net cost to the County of \$4 million, or an increase of \$2.7 million over the base for last year.

Total Additional Cost of General Election: \$2.7 million, or approximately 4 cents.

If the Board totals the primary property tax rate increases necessary for only the above program and expense areas, it totals approximately \$28.7 million of the recommended 39-cent increase.

Alternatives to a Property Tax Increase

An alternative to increasing property taxes is to reduce the budget. Just to balance next year's budget, an approximate \$25 million reduction would be necessary; and no supplemental funding would be approved. Since the County budget is 70 percent personnel services or salaries, approximately 400 employees would need to be laid off to balance the budget without increasing property taxes.

CHH/mjk

c: Martin Willett, Chief Deputy County Administrator
Tom Burke, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management