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# MEMORANDUM

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Date: April 29, 2022

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

From: Jan Leshner   
County Administrator

Re: **Transmittal of the Recommended Fiscal Year 2022/23 Budget**

## Introduction

This memorandum transmits the Recommended Fiscal Year (FY) 2022/23 Budget for Pima County. These recommendations are based on information available as of April 15, 2022. Therefore, the items approved by the Board of Supervisors at the April 19, 2022 meeting regarding the implementation of the education reimbursement program and the changes in the Intergovernmental Agreements for the provision of animal care and related services are not included. These items will be included within the Tentative Memo. The Recommended total County Expenditure Budget for FY 2022/23 is \$1,937,895,362, which is a decrease of 8.4 percent.

As of today, the Governor and the State Legislature have not adopted a State budget for FY 2022/23. 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 within 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 21, 2022.

On February 1, 2022, the Board approved holding four public hearings on the budget. These hearings will be held on the dates shown in the budget schedule on the next page. In total, the Board will hold six public hearings regarding the budget, 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 1, 2022. These reports receive weekly updates throughout the budget process and include the following:

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

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Transmittal of the Recommended Fiscal Year 2022/23 Budget**  
April 29, 2022  
Page 2

The above financial reports include the FY 2020/21 actual amounts, FY 2021/22 Adopted Budget amounts, FY 2021/22 year-to-date amounts as of the date of the report and the FY 2022/23 Recommended Budget amounts. The reports also include two columns of variances that compare the FY 2021/22 Adopted Budget to the FY 2022/23 Recommended Budget and the FY 2021/22 Adopted Budget to the FY 2021/22 actual year-to-date revenues and expenditures.

In addition to these reports, the County Budget website includes budget-related communications issued to the Board and County departments throughout the FY 2022/23 budget process to date. This information can be accessed on the County's home page ([www.pima.gov](http://www.pima.gov)) by clicking on the County Budget link under the "Government" section.

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

May 10, 2022	Board Budget Hearings (full day, two sessions)
May 11, 2022	Board Budget Hearings (full day, two sessions)
May 17, 2022	Tentative Budget Adoption (Sets Budget Ceiling)
June 21, 2022	Truth in Taxation Hearing (Pima County and County Free Library)
June 21, 2022	Final Budget Adoption
August 15, 2022	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 at the program level.

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

Table of Contents

<b>I.</b>	<b>OVERVIEW OF RECOMMENDED BUDGET .....</b>	<b>5</b>
<b>II.</b>	<b>ISSUES SIGNIFICANTLY IMPACTING THE COUNTY BUDGET.....</b>	<b>8</b>
	A. COVID-19 Pandemic.....	9
	B. Increased Prices .....	9
	C. Public Safety Personnel Retirement System and Correction Officer Retirement Plan Pledged Revenue Obligations .....	9
	D. State Cost Shifts.....	9
	E. Employee Compensation .....	10
	F. Employee Benefits .....	11
	G. County Staffing .....	11
<b>III.</b>	<b>GENERAL FUND ENDING FUND BALANCE: FY 2021/22.....</b>	<b>12</b>
	A. Positive Ending Fund Balance .....	12
	B. Recommended Uses of General Fund Ending Balance .....	13
<b>IV.</b>	<b>GENERAL FUND SUBMITTED BASE BUDGET: FY 2022/23 .....</b>	<b>14</b>
	A. General Fund Base Budget Revenues.....	14
	1. General Government Revenues Other Than Property Taxes .....	14
	2. Primary Property Tax Revenues .....	14
	3. Departmental Revenues.....	16
	B. General Fund Submitted Base Budget Expenditures.....	16
<b>V.</b>	<b>RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES .....</b>	<b>16</b>
	A. Market Salary Increases .....	16
	B. Inflation, Higher Fuel Pricing, and our Increasing Security Contractor Costs. ....	17

<b>VI. THE OVERALL BUDGET .....</b>	<b>17</b>
A. Special Districts and Debt Service .....	17
1. County Library District .....	18
2. Debt Service Fund .....	19
3. Regional Flood Control District .....	21
B. Pay-As-You-Go Capital Improvement Funding (PAYGO) .....	21
C. Pavement Preservation and Repair Funding for Local Roads .....	24
D. Annual Capital Projects Fund Budget and Capital Improvement Plan Budget .....	24
1. Capital Projects Fund Budget .....	25
2. Regional Wastewater Reclamation Capital Budget.....	26
3. Information Technology – Internal Service Fund Capital Budget .....	26
4. Fleet Services Capital Budget.....	27
<b>VIII. COMBINED TOTAL COUNTY BUDGET .....</b>	<b>27</b>
A. Combined County Property Tax Rate and Levy .....	27
B. Combined County Budget .....	28

## **I. OVERVIEW OF RECOMMENDED BUDGET**

The County's FY2022/23 Recommended Budget reflects the County's transition out of the COVID-19 pandemic response and the return to a new normal. Last year, recall that the County's budget exceeded \$2 billion in expenditures. This was primarily due to the inclusion of \$300 million within the General Fund to pay a portion of the unfunded liabilities for the Public Safety Personnel Retirement System and Correction Officer Retirement Plan and \$350 million within the Grants Contingency fund for COVID-19 related grants plus any other unforeseen or emergency grants.

The FY2022/23 Recommended Budget proposes a similar approach in regards to grants by reserving \$250 million within the Finance Grants Contingency fund for the Infrastructure and Jobs Act and any other unforeseen or emergency grants. Additionally, the County was awarded a number of multi-year grants. These grants are also included within the applicable departmental budgets in the Grants Special Revenue Fund as we continue to spend down the American Rescue Plan Act funding along with various other grant funds.

As in previous budgets, the County will experience increased State cost shifts as the State continues to shift additional costs to the counties. As stated previously, the Governor and the State Legislature have not adopted a State budget for FY 2022/23. 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.

The County is also experiencing staffing level issues, inflation and increased fuel prices, as is the greater region. In response to this problem, the County has taken steps to become a more competitive employer of choice by investing in its employees. The FY2022/23 Recommended Budget will continue that investment by including market salary increases and other initiatives for eligible employees. In addition, a \$3.0 million budget reserve has been set aside to assist the departments, if needed, with increased costs. This is in addition to the \$10 million Emergency Reserve that was created in FY 2021/22.

### **BUDGET RECOMMENDATIONS**

FY 2022/23 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2021/22 is \$137,789,053, an increase of \$92,576,280 over the budgeted FY 2021/22 General Fund Reserve of \$45,212,773. This amount represents the beginning fund balance for FY 2022/23.

- It is recommended that the FY 2021/22 ending balance be allocated to the following purposes:

<b>Uses of the June 30, 2022 General Fund Ending Balance</b>	
<b>Available FY 2021/22 General Fund Ending Balance</b>	<b>\$137,789,053</b>
General Fund Budget Reserve	45,872,187
Banner-University Medical Center South Campus	15,000,000
5% General Salary Increases	13,630,954
Emergency Reserve	10,000,000
Kino South RFP Transfer	8,675,000
State Cost Shift - AHCCCS/ALTCS Baseline Increases	7,085,600
Health Department FEMA Public Assistance Transfer	6,230,812
Health Department Increased General Fund Support Transfer	5,500,000
State Cost Shift - Class 1 assessment ratio from 18.0% to 17.5%	3,887,303
Contingency - Inflation, Fuel, and Security	3,000,000
State Cost Shift - ALTCS Potential Provider Rate Increase	2,188,000
Old Tucson Warehouse Transfer	2,100,000
Natural Resources Parks and Recreation Deferred Maintenance Transfer	2,000,000
Facilities Management Renewal Fund Projects Transfer	2,000,000
Kino Campus Building Infrastructure Transfer	1,896,625
State Cost Shift - Juvenile Corrections	1,726,000
State Cost Shift - Superior Court Salary Increase	1,471,632
Maintain General Fund Primary Tax Rate at \$3.8764	1,358,272
General Contingency (Attorney Fees, Judgements & Damages)	1,269,944
San Xavier Sheriff Sub Station Transfer	585,000
Teatro Carmen Transfer	450,000
State Cost Shifts – Arizona Department of Revenue Costs	300,000
State Cost Shift - Justice of the Peace Salary Increase	298,119
Other Miscellaneous Base Adjustments	1,263,605
<b>Total</b>	<b>\$ -</b>

- In August 2021, the Board of Supervisors Policy D 22.13 General Fund Neutralization of State Legislature Cost Shifts and Disclosure of the Cost Shifts to Taxpayers was established. FY 2022/23 Recommended Budget is the first budget that would be impacted by this new Board Policy. The impact would be approximately \$5.6 million or an increase of \$0.0608 in the overall tax rate. Given the continuation of COVID-19, the large beginning fund balance, and mounting pressures of increased

commodity, service and fuel costs, the Recommended Budget does not include the increase in property taxes per Board Policy D 22.13. Instead, I recommend that this Board policy be delayed until next year.

- It is recommended that the proposed General Fund primary property tax rate remain at \$3.8764.
- Assuming the Board adopts the proposed General Fund primary property tax rate of \$3.8764 per \$100 of net assessed value, recommended General Fund revenues and transfers-in for FY 2022/23 are projected to be \$665,291,659, which is \$42,404,302, or 6.81 percent, more than the current year.
- Excluding primary property taxes, General Government Revenues from all other sources are projected to increase \$23,949,318.
- The value of the net primary property tax base is projected to increase 4.50 percent. This is the eighth time in ten years the property tax base has increased. Because of the Great Recession, the County's primary net assessed value declined 15.9 percent between FY 2010/11 and FY 2014/15. The property tax base is projected to continue to increase modestly for the next few years.
- General Fund primary property tax revenues from all sources are projected to increase \$15,896,767 at the recommended 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 2022/23 are projected to be \$803,080,712, which is \$235,576,958, or 22.7 percent less than the current year's adopted budget.
- Existing State budget cost transfers for FY 2022/23 have an annual budget impact of \$105,467,203, or 27.4 percent of the recommended General Fund primary property tax rate of \$3.8764.
- The recommended General Fund Budget Reserve totals \$45,872,187, 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 \$56,825,637, a \$7,663,147 increase from the current year. The secondary property tax rate is recommended to increase from the FY 2021/22 rate of \$0.5353 to \$0.5453 per \$100 of net assessed value. This increase is to begin to secure adequate funding for the Pima Early Education Program after FY 2023/24.

- The Recommended Budget for Debt Service is \$99,266,568, a \$10,226,263 decrease from the current year. The recommended budget proposes the secondary property tax rate be reduced to \$0.3200 per \$100 of net assessed value, a \$0.1300 decrease from the FY 2021/22 rate of \$0.4500, resulting in a decrease of \$11,208,279 in the secondary property tax levy.
- The Recommended Budget for the Regional Flood Control District (RFCD) for operating costs, special revenue, grants, and operating transfers-out is \$36,453,389, a \$1,021,014 increase from the current year, which includes an increase of \$310,383 in the secondary property tax levy. To offset the \$0.0100 increase in the Library District secondary property tax rate, the recommended budget includes a corresponding \$0.0100 decrease in the Regional Flood Control secondary property tax rate. The secondary property tax rate for Regional Flood Control is recommended to decrease from the FY 2021/22 rate of \$0.3335 to \$0.3235 per \$100 of net assessed value.
- The combined primary and secondary recommended County property tax rate (excluding the Fire District Assistance Tax) is \$5.0652 per \$100 of net assessed value and is a decrease of \$0.1300 from FY 2021/22. The resulting combined County levy (excluding the Fire District Assistance Tax) is \$510,098,532, a \$9,371,294 increase over the current year. Listed below is the combined Pima County property tax rate for the last five years (excluding the Fire District Assistance Tax):
  - FY 2017/18 \$5.9784
  - FY 2018/19 \$5.6084
  - FY 2019/20 \$5.5584
  - FY 2020/21 \$5.3108
  - FY 2021/22 \$5.1952
- The FY 2022/23 Recommended Budget includes four Supplemental Budget Requests totaling \$8,966,372. These requests are not being recommended within the Recommended Budget.
- The combined, total Recommended County Expenditure Budget for FY 2022/23 is \$1,937,895,362 and is \$177,704,845, or 8.4 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 2022/23 Recommended Budget. Further details are contained in various



memoranda accessed via the County Administrator Memoranda FY 2022/23 page on the [County Budget website](#).

A. COVID-19 Pandemic

Our County budget realized significant fluctuations in FY 2020/21 and FY 2021/22 due to the COVID-19 Pandemic. This is partly due to the County's commitment as a regional public health and human services agency. Our budgeted expenditures for COVID-19 will continue in the FY 2022/23 budget, ensuring we respond to the County's critical need to make widely available the services required as we continue through and transition out of the Pandemic. The American Rescue Plan Act supports much of the funding for these expenditures. Because these are one-time funding sources, we expect future budgets to normalize as this funding is expended and we return to a new normal. The FY2022/23 budget continues allocating funds to critical areas related to the Pandemic, including testing, contact tracing, vaccination, rental and housing assistance, and other actions as a regional public health and human services provider.

B. Increased Prices

With the mounting pressures of increased prices in commodities, services, and fuel, budget reserves have been earmarked to counter any unexpected disruptions in next year's budget. An amount of \$3.0 million has been set aside within the County's contingency fund to address any unexpected increases in costs realized through departmental operations.

C. Public Safety Personnel Retirement System and Correction Officer Retirement Plan Pledged Revenue Obligations

Recall Pima County had a significant unfunded actuarial accrued liability for our Public Safety Personnel Retirement System (PSPRS) and Correction Officer Retirement Plan (CORP). In order to greatly reduce the unfunded liability for our Public Safety Personnel Retirement System and Correction Officer Retirement Plan, the County issued \$300 million in Pledged Revenue Obligation debt. This resulted in substantially lower employer contribution rates and a decrease in PSPRS/CORP retirement costs for FY 2022/23. Both PSPRS and CORP retirement costs decreased by \$1.4 million in FY 2022/23. This is in addition to the \$21.3 million decrease that was included in the FY 2021/22 Adopted Budget.

D. 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 2022/23.

As of now, the overall anticipated FY 2022/23 State cost shifts total nearly \$105.5 million, or 27.4 percent of the proposed General Fund primary property tax rate of \$3.8764 per \$100 of net assessed value. These scheduled cost shifts are approximately \$16.7 million

more than last year's Adopted Budget. A detailed list of these State cost transfers is shown in Table 1 below.

<b>Table 1: Continuing FY 2022/23 State Cost Transfers to Pima County.</b>	
<b>Description</b>	<b>Amount Required From Pima County</b>
Arizona Long Term Care System	\$ 53,257,800
Superior/Juvenile Court – Salaries and Benefits	20,243,370
Arizona Health Care Cost Containment System	16,759,600
Class 1 assessment ratio from 18.0% to 17.5% - Revenue Reduction	3,887,303
Behavioral Health System State Contribution	3,046,936
State Juvenile Detention Shift	1,726,000
Justice Courts – JP Salaries and Benefits	1,710,923
Superior Court – Salary Increases within State Budget	1,471,632
Restoration to Competency	1,306,973
Constables – Salaries and Benefits	1,066,937
Superintendent of Schools Accommodation District	391,610
Arizona Department of Revenue Operating Cost	300,000
Justice Courts – JP Salary Increases within State Budget	298,119
<b>Total</b>	<b>\$105,467,203</b>

#### E. Employee Compensation

Pima County began to address the need to make market salary adjustments in FY 2021/22 with a 5% adjustment for all employees. In addition, the Human Resources Department began reviewing a variety of job classification within the County and recommending market salary increases. Within the Recommended Budget, I am recommending a market salary increase for those job classifications that have not yet been evaluated by Human Resources. This excludes those positions that have received or will receive raises from the State and any market salary increases. The recommended market salary adjustment will include a five percent (5%) for employees that earn up to \$75,000, three percent (3%) for those that earn \$75,001 to \$150,000, and one percent (1%) for those that earn over \$150,001, in order to remain an employer of choice in an extremely competitive job market. This increase is in response to difficulties experienced by the County departments in retaining employees. The FY 2022/23 County-wide cost of this proposed salary increase is approximately \$18.5 million including associated benefits. The cost to the General Fund is approximately \$12.6 million. However, due to identified attrition savings, the expected cost for the FY 2022/23 Recommended Budget will be approximately \$10.2 million, due to an attrition offset of \$3.2 million for Non-General Funds and \$5.1 million for the General Fund. The acknowledged cost to the General Fund is \$7.5 million.

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

#### F. Employee Benefits

Overall, FY 2022/23 County benefit costs are expected to increase by a net of \$7.4 million over FY 2021/22 (from \$152.4 million to \$159.8 million). The most significant increases were in the County's health insurance premiums and the Arizona State Retirement System (ASRS). However due to the investment to significantly reduce the unfunded liability for our Public Safety Personnel Retirement System (PSPRS) and Correction Officer Retirement Plan (CORP), the overall increase was offset by a \$2.8 million decrease in PSPRS and CORP retirement costs.

Based on the plan performance of the Pima County Health Care Benefits Trust, FY 2022/23 health insurance rates for both the County and eligible County employees will increase from the FY 2021/22 rates. This year, the County has experienced higher claims than in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 7.2 percent for medical and 7.3 percent for pharmacy. In order to maintain a sufficient balance in the Pima County Health Care Benefits Trust fund for the coming year, the County increased rates to the employee and the County. The employee rate increases range from \$4.87 to \$8.66 per pay period, depending on selected coverage. The County share of the health insurance premiums increased by 11.48 percent.

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 34 percent of their salary. For Public Safety employees, this percentage is 44 percent of the cost of their salary.

#### G. County Staffing

The overall County workforce has shrunk by over 1,149 Full-Time Equivalents (FTEs), or 13.7 percent from peak staffing in FY 2007/08, as shown in Table 2 below. FY 2022/23 total budgeted FTEs increased by a net of 252 from FY 2021/22. The majority of the increases were from the following departments:

- 66 FTEs within the Health Department to expand public health programs across the region and enhance the public health emergency response capability.
- 36 FTEs within the Superior Court due to the court consolidation from Justice Court Tucson and the addition of court security officers, customer service assistants, and other miscellaneous positions to support operational needs.
- 32 FTEs within the Community & Workforce Development Department to administer the Emergency Eviction Legal Services and Emergency Rental Assistance Programs
- 22 FTEs within Facilities Management to address new large construction projects and increased workloads.

- 17 FTEs within Grants Management and Innovation to expand the management of all of the Federal funds received through COVID-19 and anticipated Infrastructure Investment and Jobs Act grants.
- 15 FTEs within Finance & Risk Management to support the ERP Project and expand the Internal Audit – Procedures and Training Division.

Table 2 below presents the year over year changes in the funded FTE counts within the County.

<b>Table 2: Total Budgeted FTE Positions, FY 2007/08 Adopted Budget through FY 2022/23 Recommended Budget</b>			
<b>Fiscal Year</b>	<b>Budgeted FTEs</b>	<b>Change in Budgeted FTEs</b>	<b>Cumulative Change in Budgeted FTEs</b>
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	7,112	(17)	(1,284)
2020/21	6,840	(272)	(1,556)
2021/22	6,995	155	(1,401)
2022/23	7,247	252	(1,149)

### **III. GENERAL FUND ENDING FUND BALANCE: FY 2021/22**

#### **A. Positive Ending Fund Balance**

The recommended General Fund ending balance for FY 2021/22 is projected to be \$137,789,053 due to decreased expenses and higher than expected general government revenues. This is a projected increase of \$92,576,280 over the FY 2021/22 budgeted General Fund Reserve of \$45,212,773 and represents approximately 20.7 percent of FY 2022/23 projected General Fund revenues and operating transfers-in. This ending fund

balance is well above the recommended guidelines of the Government Finance Officers Association and represents the FY 2022/23 Beginning Fund Balance.

**B. Recommended Uses of General Fund Ending Balance**

The information in Table 3 below represents my recommendations to use the projected June 30, 2022 General Fund ending balance. This available balance funds the General Fund Reserve, one-time allocations and department budget increases as needed.

<b>Table 3: Recommended Allocation of FY 2021/22 General Fund Ending Balance</b>	
<b>Available FY 2021/22 General Fund Ending Balance</b>	<b>\$137,789,053</b>
General Fund Budget Reserve	45,872,187
Banner-University Medical Center South Campus	15,000,000
5% General Salary Increases	13,630,954
Emergency Reserve	10,000,000
Kino South RFP Transfer	8,675,000
State Cost Shift - AHCCCS/ALTCS Baseline Increases	7,085,600
Health Department FEMA Public Assistance Transfer	6,230,812
Health Department Increased General Fund Support Transfer	5,500,000
State Cost Shift - Class 1 assessment ratio from 18.0% to 17.5%	3,887,303
Contingency - Inflation, Fuel, and Security	3,000,000
State Cost Shift - ALTCS Potential Provider Rate Increase	2,188,000
Old Tucson Warehouse Transfer	2,100,000
Natural Resources Parks and Recreation Deferred Maintenance Transfer	2,000,000
Facilities Management Renewal Fund Projects Transfer	2,000,000
Kino Campus Building Infrastructure Transfer	1,896,625
State Cost Shift - Juvenile Corrections	1,726,000
State Cost Shift - Superior Court Salary Increase	1,471,632
Maintain General Fund Primary Tax Rate at \$3.8764	1,358,272
General Contingency (Attorney Fees, Judgements & Damages)	1,269,944
San Xavier Sheriff Sub Station Transfer	585,000
Teatro Carmen Transfer	450,000
State Cost Shifts - Arizona Department of Revenue Costs	300,000
State Cost Shift - Justice of the Peace Salary Increase	298,119
Other Miscellaneous Base Adjustments	1,263,605
<b>Total</b>	<b>\$ -</b>

#### **IV. GENERAL FUND SUBMITTED BASE BUDGET: FY 2022/23**

##### **A. General Fund Base Budget Revenues**

If the current General Fund primary property tax rate of \$3.8764 were to be continued into FY 2022/23, projected FY 2022/23 base budget revenues and operating transfers-in to the General Fund would total \$665,291,659. This is a \$42,404,302 or a 6.81 percent increase from the current year adopted budgeted revenues and operating transfers-in to the General Fund. Using the calculation within Board of Supervisor's Policy D 22.12, General Fund Capital Improvement Fund Pay-As-You-Go Program, the General Fund primary property tax rate would increase slightly by \$0.0137 to \$3.8901. However, I am recommending the FY 2022/23 General Fund primary property tax rate remain at \$3.8764 per \$100 of taxable net assessed value.

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 2022/23 base budget General Government revenues from all other sources is \$218,939,715, a \$23,949,318, or 12.28 percent increase from the current Adopted Budget.

The largest revenue stream in this category – State Shared Sales Tax – is projected to increase by \$22,000,000, or 16.67 percent, to \$154,000,000. Retail sales for the current fiscal year have been much higher than originally forecast even after the end of federal pandemic assistance and recent forecasts indicate this is likely to continue. Vehicle License Tax revenue is also projected to show continued improvement next year with an overall increase of \$2,006,000, or 5.86 percent, as local population growth and new vehicle sales exceed the annual reduction in the tax base.

##### ***2. Primary Property Tax Revenues***

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

Ten 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 2022/23 totals \$10.1 billion. This is a net increase of \$436.5 million, or 4.50 percent, over the current year and represents the eighth annual increase in taxable net assessed value in ten years. In FY 2022/23, the market value of existing property in the County will increase by approximately 2.83 percent. New construction will add approximately 1.63 percent to the property tax base.

Assuming the General Fund primary property tax rate for FY 2022/23 continues at the current rate of \$3.8764 per \$100 of taxable net assessed value, the resulting General Fund primary levy is \$392.8 million. This is \$16.9 million or 4.50 percent more than the amount levied in the FY 2021/22 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 2022/23 are \$395.6 million. This amount is \$15.9 million or 4.19 percent more than the total General Fund primary property tax revenues adopted in the FY 2021/22 Adopted Budget. The majority of the difference between the levy amount and the revenues collected is attributable to an increase in the overall current year collection rate. This is offset in part by reductions in the forecasted collections of delinquent revenue for prior tax years, interest on delinquent property tax collections and penalties.

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 2022/23 neutral primary tax rate is \$3.7698 per \$100 of taxable net assessed value, or \$0.1066 less than the current year \$3.8764 General Fund primary tax rate. The resulting difference between the levy using the current year's General Fund primary tax rate and the neutral primary levy is \$10.8 million, or 2.8 percent. 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 would be the fourth consecutive year in which such a hearing will be held.

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 \$4.8962, or \$1.0198 higher than the current year's General Fund rate. The resulting constitution capped levy is \$496.1 million, which is \$103.3 million, or 26.3 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 remains unchanged from FY 2021/22. As I have indicated earlier in this memorandum, I am proposing

the continuation of the FY 2022/23 General Fund property tax rate of \$3.8764 per \$100 of taxable net assessed value remain.

### *3. Departmental Revenues*

Base budget changes in General Fund revenues from departments and operating transfers-in for FY 2022/23 are projected to total \$43.8 million. This is a \$4.4 million net decrease from the current year's budget.

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

- \$1.6 million increase in operating transfers for Health Grants Indirect Costs
- \$833 thousand increase in Elections revenue
- \$377 thousand increase in operating transfers for Pima Animal Care donations
- \$225 thousand increase in Superintendent of Schools revenue
- \$635 thousand reduction in Justice Court Tucson revenue
- \$418 thousand reduction in operating transfers for Painted Hills

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

The amount required in FY 2022/23 to fund department submitted General Fund-supported base budgets for both expenditures and transfers-out is \$740,538,420. This base amount represents FY 2021/22 adopted departmental budgets adjusted for increased benefit costs, grants match, 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.

## **V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES**

### A. Market Salary Increase

As previously discussed in Section E, I am recommending a market salary increase for eligible Pima County employees of five percent (5%) for employees that earn up to \$75,000, three percent (3%) for those that earn \$75,001 to \$150,000, and one percent (1%) for those that earn over \$150,001, in order to remain an employer of choice in an extremely competitive job market. The cost to the General Fund is approximately \$12.6 million. However, due to identified attrition savings of \$5.1 million, the expected cost for the FY2022/23 Recommended Budget will be \$7.5 million.



B. Inflation, Higher Fuel Pricing, and our Increasing Security Contractor Costs

I recommend \$3.0 million within the County's contingency fund to address any unexpected increases with the mounting pressures of increased prices in commodities, services, and fuel.

Table 4 below details the FY 2022/23 expenditure adjustments required to fund additional ongoing State-related cost shifts; market salary increases; reserve for inflation, higher fuel pricing and increased security contractor costs; requested adjustments to departmental budgets; and fully fund the General Fund Budget Reserve

<b>Table 4: Recommended Adjustments to FY 2022/23 Submitted</b>	
<b>Base Expenditures and Operating Transfers-out</b>	
<b>Proposed FY 2022/23 Base Expenditures and Operating Transfers-out</b>	<b>\$740,538,420</b>
General Fund Budget Reserve	45,872,187
Net Market Salary Increase	7,529,960
Inflation, Fuel, and Security Reserve	3,000,000
State Cost Shift - ALTCS Potential Provider Rate Increase	2,188,000
State Cost Shift - Juvenile Corrections	1,726,000
State Cost Shift - Superior Court - Salary Increase	1,471,632
Adjustments to Departmental Requested Budget	456,394
State Cost Shift - Justice of the Peace - Salary Increase	298,119
<b>Total FY 2022/23 Recommended Expenditures and Operating Transfers-out</b>	<b>\$803,080,712</b>

The Recommended General Fund budget totals \$803,080,712 and consists of \$685,075,210 in expenditures and \$118,005,502 operating transfers-out to other County departments and funds.

I am also recommending a General Fund Budget Reserve of \$45,872,187. 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. 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 2022/23, the Pima County Public Library budget includes the operation of a Main Library, 26 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. Pre-pandemic, the Library welcomed on average 5.5 million visitors through its doors annually. As we start to transition out of the COVID-19, these levels are expected to return to normal. 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 eighth year in a row. The tax base is projected to increase 4.50 percent in FY 2022/23.

The FY 2022/23 Recommended Budget for operating costs, grants and operating transfers-out is \$56,825,637. The budget will fund increased operating expenses for salaries and benefits, other internal service charges and maintenance costs.

For the fourth budget year, \$0.0400 cents of the Library tax rate is dedicated for PAYGO capital facilities and improvements. In total six PAYGO Capital Improvement Projects are scheduled in FY 2022/23 along with ongoing improvements to library interiors, exteriors, parking lots and electric vehicle charging stations. The library capital improvement projects includes Martha Cooper Library expansion, Richard Elias – Mission Library expansion, construction of the Southwest Library, Wood library property acquisition and demolition along with Library network and hotspot improvements.

In FY 2021/22, the County began the Pima Early Education Program (PEEPs) to increase the number of income eligible 3-5 year-old children attending evidence-based high quality preschools. The focus is on children from economically disadvantaged families, with incomes at or below 200% of the Federal Poverty Level, as well as minority and dual language learners, since decades of research has shown that it is these children benefit the most from evidenced-based high quality early-learning. This program is currently funded by the American Rescue Plan Act through FY 2023/24.

To begin to secure adequate funding for the PEEPs program after FY 2023/24, the recommended Library District secondary property tax rate for FY 2022/23 of \$0.5453 per \$100 of taxable net assessed value is a one-cent increase from the tax rate for FY 2021/22. The recommended tax rate is projected to provide \$54,808,104 in revenues with an additional projected \$1,280,950 from fines, interest, grants and miscellaneous revenue.

## *2. Debt Service Fund*

The total Recommended FY 2022/23 Debt Service Fund budget is \$99,266,568 a \$10,266,263 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, Certificates of Participation debt and Pledged Revenue Obligation debt, the majority of which is long-term debt, which is repaid within fifteen years.

### *a. General Obligation Debt Service*

The County's General Obligation Debt Service is funded by a secondary property tax levy. For FY 2022/23 the General Obligation Debt Service secondary property tax rate is reduced to \$0.3200 per \$100 of taxable net assessed value, a \$0.1300 reduction from FY 2021/22. The rate decrease is in line with the direction provided in the Board of Supervisors Policy for the General Fund Capital Improvement Fund Pay-As-You-Go Program. The FY 2022/23 recommended General Obligation debt service of \$32,373,417, a decrease of \$13,153,112 from FY 2021/22, 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. 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 \$11,293,292, a decrease of \$5,030,350 from FY 2021/22, will fund the existing debt service.

### *c. Certificates of Participation Debt Service*

The Certificates of Participation (COPs) debt service of \$44,493,078, an increase of \$6,127,489 from FY 2021/22 includes COPs issued in prior years for the acquisition or construction of County facilities such as the Public Service Center, the Historic Courthouse, the Defense Services Building, Transportation Local Road Repair and Pavement Preservation Programs. The COPs debt service is paid from funds other than the General Obligation debt service tax levy.

d. Pledged Revenue Obligation Debt Service

The Pledged Revenue Obligation debt service of \$11,106,781 is an increase of \$1,829,710 from FY 2021/22. This debt was issued in FY 2020/2021 as a one-time issuance to address the unfunded pension liabilities on the Public Safety and Correction Officer Retirement Plans. This debt is repaid from a portion of the State Shared Sales Taxes, the General Fund portion of the State Vehicle License Tax, County Excise Revenues and Payments in Lieu of Property Taxes.

e. Sewer Debt Service

In addition to the debt service included in the Debt Service Fund, Pima County has additional debt service in the Regional Wastewater Reclamation Enterprise Fund. This debt service is paid for with sewer system revenues with no impact on the overall Debt Service Tax Rate. As of June 30, 2022, the amount of outstanding sewer revenue debt will be \$399,565,000. Debt for sewer infrastructure is approximately 53 percent of all County Capital Improvement Program debt.

f. Overall Pima County Debt

Pima County issues General Obligation, Street and Highway, Certificates of Participation and Sewer Revenue Obligations to fund our Capital Improvement Program. The County's 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 debt for capital projects peaked in FY 2012/13 at \$1.35 billion from all sources. Because the County limits this type of debt to 15-year repayment schedules, at the end of FY 2021/22 current Capital Improvement Program debt will be reduced to approximately \$750.4 million. It is anticipated that at the end of FY 2022/23 total Capital Improvement Program debt will equal \$739.1 million, which includes \$50 million in Certificates of Participation for Pavement Preservation, \$40 million for various projects including the new San Xavier Substation, Office of the Medical Examiner Building, and ERP Replacement and \$40 million in Sewer Revenue Obligations for Regional Wastewater Reclamation projects.

### *3. Regional Flood Control District*

For the eighth 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 4.18 percent in FY 2022/23.

The recommended operating budget for the two components of the RFCD is \$18,475,401, a net decrease of \$349,488 from the current year budget. This amount includes \$18,255,401 for Flood Control Operations and \$220,000 of expenditures related to the Canoa Ranch In-Lieu Special Revenue Fund. The department has six grants in FY 2022/23, Invasive Plant Species, FEMA Cooperative Technical Partnership, USDA Brawley Wash, Canoa Hills, Hazard Mitigation Grant Program Finger Rock Culvert and Hazard Mitigation Grant Program Corona Del Oro.

The RFCD recommended budget also includes operating transfers-out totaling \$17,977,988, an increase of \$1,370,502 from the current year. These transfers include the following:

- \$14,851,113 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program
- \$2,650,000 transfer to the Capital Projects Fund to fund the Big Horn Fire Flood Hazard Mitigation Program
- \$190,000 to the Regional Flood Control District Grant for Invasive Plant Species
- \$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
- \$17,273 in Indirect Cost reimbursements to the General Fund

To offset the \$0.0100 increase in the Library District secondary property tax rate, I recommend a \$0.0100 decrease in the Regional Flood Control secondary property tax rate. The secondary property tax rate for Regional Flood Control is recommended to decrease from the FY 2021/22 rate of \$0.3335 to \$0.3235 per \$100 of net assessed value

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

As directed in the Board of Supervisors Policy D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program, the current budget includes \$32,272,409 in funding for the PAYGO Program of which \$12,272,409 is for capital improvement projects. The balance of the funds is for the debt service payment on the \$50 million that was advanced in FY 2020/21 and in FY 2021/22 for pavement preservation. This funding was calculated using sixty percent of both the decrease in the current secondary tax rate and the increase in the

tax base, the remainder of the unobligated tax value reduced the combined tax rate. The goal of the PAYGO program is to provide additional funding to repair our roads within 10 years, provide additional funding for other General Fund capital improvement projects as approved by the Board, reduce taxes spent on debt interest payments, and reduce the combined County property tax rate. This program is predicated on the general obligation bond debt repayment schedule being rapidly paid over the next several years that reduces the draw on the secondary tax rate.

The transition plan to PAYGO Capital Funding will fund the capital program with the debt service payment at a zero dollar level (once the General Obligation Bond Debt is fully retired). Annual capital financing will continue to use short-term debt instruments to ensure the County does not exceed the constitutionally imposed expenditure limit. In other words, after all of the voter authorized debt has been retired, the County will continue to issue Certificates of Participation for short-term debt. The use of long-term Certificates of Participation will also continue for larger scale capital projects, including the new San Xavier Substation, Office of the Medical Examiner Building, and ERP Replacement. These long-term debt instruments are currently advantageous funding strategies due to low interest rates. Table 6 shows the FY 2022/23 secondary property tax levy for debt service and the PAYGO calculation.

<b>Table 6: FY 2022/23 Pay-As-You-Go General Fund Primary Tax Levy.</b>	
	<b>FY 2022/23</b>
Debt Service <sup>[1]</sup> Secondary Tax Collection Rate	0.3200
Secondary Tax Levy Decrease <sup>[2]</sup>	0.1300
60% of Decrease <sup>[3]</sup>	0.0780
Primary PAYGO Levy from Cumulative Debt Service Rate Reductions	\$22,494,426
Primary PAYGO Levy from 60% of FY 2022/23 NAV Increase	9,777,983
Total Available for Pay as you go <sup>[4]</sup>	<b>\$32,272,409</b>

[1] Secondary property tax rate necessary to pay principal and interest payments for all County outstanding general obligation bond debt.

[2] Year to year secondary debt service tax rate difference.

[3] As the debt service tax rate decreases, sixty percent of the decrease will be used to build the PAYGO general fund in the primary tax levy. The remaining forty percent will be used to decrease the overall County tax rate.

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

In both FY 2020/21 and FY 2021/22, Transportation's Pavement Preservation program received \$50 million that is being repaid by the transportation allocation from the PAYGO program and the FY 2022/23 budget includes another \$50 million that will also be repaid using the transportation allocation from the PAYGO program. The total allocation of PAYGO funding for pavement preservation is not being increased, only accelerated.

PAYGO projects budgeted within the Capital Projects Fund include \$12,272,409 in proposed PAYGO funds. Projects considered for use of this funding source were defined via the Integrated Infrastructure Plan that identified capital needs throughout the County. A prioritization matrix was used as outlined in Table 7. Projects selected to use PAYGO funding met two or more of these major benefit areas. These funds have been applied to projects within Facilities Management, Kino Stadium District, Parks and Recreation, and the Sheriff's Department. Projects selected were fully funded by this year's PAYGO allocation even if they are planned over multiple years.

Below is the list of proposed projects to be funded with PAYGO funds.

- Sheriff's Department – Aircraft Hanger – Aero Park Blvd
- Stadium District – Kino South Beach Volleyball
- Parks & Recreation – Canoa Ranch Campground Development
- Parks & Recreation – Robles Ranch Thrift Store and Foodbank
- Parks & Recreation – LED Replacement – Thomas Jay Regional Park
- Parks & Recreation – LED Replacement – McDonald Regional Park
- Facilities Management – Energy Efficient Lighting Fixture Replacement
- Facilities Management – Public Works Garage Solar

This fiscal year, a higher priority was given to projects that help achieve sustainability goals categorized within ROI and Community on Table 7.

In future years, the target for the PAYGO program is \$50 million per year of recurring revenues to pay for capital improvements of the County, since the General Fund transfer to road repair is limited to 10 years at the adopted schedule.

Table 7: Prioritization Matrix for PAYGO Projects Across Departments	
Benefit	Key Goal
Safety, Regulatory Compliance, Risk Avoidance, Emergency Response	SAFETY
Depreciation, Life Cycle, Age of Facility	LIFE CYCLE
Return on Investment, Cost-benefit Analysis, Operating Cost, Maximize Previous Investment, Integrated Facilities	ROI

Environmental Protection, Community Health, Changing Public Needs, Future Compliance Need	COMMUNITY
Economic Development, Regional Needs, Partnerships, Public Expectation, Administrative Directive	ECONOMIC
Level of Service, Capacity Needs, Community Enhancement	CAPACITY

C. Pavement Preservation and Repair Funding for Local Roads

The FY2022/23 Transportation Department budget will contain specific funding for Pavement Preservation and Repair Contracts. For FY 2022/23, a combined allocation of \$66.8 million (\$16.8 million under the Pavement Preservation and Repair Contracts and \$50 million under the Construction Project line items within the Transportation's operating budget). This is a significant investment in road repair and pavement rehabilitation. This added to prior year investments since the beginning of PAYGO in fiscal year 2019/20 represents an investment in pavement repair of \$244.3 million.

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

As set forth in Table 8, the FY 2022/23 recommended Capital Improvement Plan of \$237,945,767 consists of the Capital Projects Fund Budget of \$177,183,899, Capital Projects of Regional Wastewater Reclamation of \$54,119,868, Information Technology – Internal Service Fund of \$5,042,000, and Fleet Services of \$1,600,000. A complete list of projects for the Recommended Capital Improvement Plan is included in the Capital Projects section of this Recommended Budget Book.



Table 8: FY 2022/23 Recommended Capital Improvement Plan					
Capital Improvement Plan	FY 2021/22 Bond and Non-Bond Project Budgets	FY 2022/23 Bond and Non-Bond Project Budgets	Difference	1997 Bonds	Non-Bonds
<b>Capital Projects Fund</b>					
Facilities Management	\$ 37,333,875	\$ 64,680,000	\$ 27,346,125	-	\$ 64,680,000
Transportation	52,268,896	41,135,227	(11,133,669)	\$ 6,204,750	34,930,477
Flood Control District	17,281,261	20,748,750	3,467,489	-	20,748,750
Stadium District - Kino Sports Complex	14,075,000	11,992,000	(2,083,000)	-	11,992,000
Analytics & Data Governance	3,000,000	11,000,000	8,000,000	-	11,000,000
Parks & Recreation	2,484,806	10,377,806	7,893,000	-	10,377,806
Sheriff	3,866,139	5,378,616	1,512,477	-	5,378,616
Environmental Quality	4,008,028	5,350,000	1,341,972	-	5,350,000
Information Technology	264,000	2,264,000	2,000,000	-	2,264,000
Capital Program Office	3,125,000	2,177,500	(947,500)	-	2,177,500
Office of Sustainability & Conservation	1,100,000	2,080,000	980,000	-	2,080,000
Community & Workforce Development	75,000	-	(75,000)	-	-
<b>Total Capital Projects Fund</b>	<b>\$ 138,882,005</b>	<b>\$ 177,183,899</b>	<b>\$ 38,301,894</b>	<b>\$ 6,204,750</b>	<b>\$ 170,979,149</b>
Wastewater Reclamation	48,012,815	54,119,868	6,107,053	-	54,119,868
Information Technology - Internal Service Fund	6,101,000	5,042,000	(1,059,000)	-	5,042,000
Fleet Services	2,502,874	1,600,000	(902,874)	-	1,600,000
<b>Total Capital Improvement Plan</b>	<b>\$ 195,498,694</b>	<b>\$ 237,945,767</b>	<b>\$ 42,447,073</b>	<b>\$ 6,204,750</b>	<b>\$ 231,741,017</b>

### *1. Capital Projects Fund Budget*

The recommended \$177.2 million Capital Projects Fund Budget for FY 2022/23 is an increase of \$38.3 million, or 27.6 percent, from the current year's budget of \$138.9 million.

Of the total Capital Projects Fund, \$6.2 million is funded through 1997 bonds, and the remaining \$171 million 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.

Facilities Management has budgeted \$64.7 million for 16 projects. This year's recommended budget includes \$22.7 million for construction of the new Office of the Medical Examiner Building, \$9 million for the design of the Northwest Service Center, \$6.6

million for the façade improvements at 130 W. Congress and \$5.5 million for security replacements at the Adult Detention Center. The Northwest Service Center project is being funded primarily by a grant from the American Rescue Plan, the remaining projects are being funded by COPs or department transfers.

The Department of Transportation has budgeted \$41.1 million for 18 projects. The projects include \$17.8 million for Sunset Road I-10 to River Road, \$10.1million for South Houghton Road Widening, and \$5.6 million for Improvements at 22<sup>nd</sup> Street I-10 to Tucson Boulevard. Funding for the FY 2022/23 Department of Transportation Capital Program consists of \$11.8 million in Impact Fees, \$6.2 million in 1997 HURF Bonds, \$12.1 million in Grants, \$6.7 million in COPs, \$1.2 million in RTA Funding, \$2.5 million in City Revenue and \$600 thousand from various other funding sources.

Regional Flood Control District has budgeted \$20.7 million for 21 projects, including \$4 million for the Channels at the Fairgrounds and South Houghton, \$3 million for the City of Tucson Downtown Links Project, \$2.7 million for Bighorn Fire Flood Hazard Mitigation, \$2 million for Major Watercourse Infrastructure Management, \$1.5 million for Urban Drainage and \$1 million each for Floodprone Land Acquisitions and the Ruthrauff/Gardner Lane Union Pacific Railroad Culvert. With the exception of the grant funding for the Bighorn Fire Flood Hazard Mitigation, these projects are funded primarily with Tax Levy Revenue.

## *2. Regional Wastewater Reclamation Capital Budget*

The FY 2022/23 recommended capital budget for the Regional Wastewater Reclamation Department (RWRD) is \$54.1 million, an increase of \$6.1 million from FY 2021/22. The FY 2022/23 capital program plan is to be funded with RWRD Obligations. Conveyance projects total \$34 million, including \$11.4 million for the Second Force Main at the Continental Ranch Pump Station, \$5.9 million for augmentation of the Old Nogales Interceptor, \$6.3 million for the Canoa Ranch Sewer Extension and \$6 million for Minor Rehabilitation Projects. Treatment projects total \$19.5 million and include \$8 million for System-wide Treatment Rehabilitation and \$6.7 million for the Tres Rios Headworks Biofilter Odor Control project.

## *3. Information Technology - Internal Service Fund Capital Budget*

The FY 2022/23 recommended capital budget for Information Technology - Internal Service Fund is \$5 million, a decrease of \$1.1 million from FY 2021/22. The recommended budget includes \$3.3 million for Server Storage and \$1.2 million for a Network Refresh that will be funded through Information Technology - Internal Service Fund Operations.

#### *4. Fleet Services Capital Budget*

The FY 2022/23 recommended capital budget for Fleet Services is \$1.6 million, a decrease of \$903 thousand from FY 2021/22. The recommended budget includes two Fuel Island projects that will be funded through Fleet Operations.

### **VII. COMBINED TOTAL COUNTY BUDGET**

#### **A. Combined County Property Tax Rate and Levy**

The combined primary and secondary property taxes levied by the County fund 26.4 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.

It is recommended that the County's General Fund primary property tax rate remain at \$3.8764 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 2022/23 neutral levy tax rate is \$3.7698 per \$100 of taxable net assessed value.

The County controls three secondary property tax rates and their associated levies: Library District, Regional Flood Control District and Debt Service. It is recommended the Debt Service property tax rate be decreased by \$0.1300 per \$100 of taxable net assessed value, the RFCD be decreased by \$0.0100 per \$100 of taxable net assessed value and the Library property tax be increased by \$0.0100 per \$100 of taxable net assessed value. The net of these changes in the secondary property tax rates and increased taxable net assessed values will produce a \$7.5 million decrease in secondary tax levies in FY 2022/23.

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 2022/23 neutral secondary property tax rate is \$0.5206 per \$100 of taxable net assessed value. The secondary property tax rate being recommended is \$0.5453 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 2022/23 neutral secondary property tax rate is \$0.3237 per \$100 of taxable net assessed value. The secondary property tax rate being recommended is \$0.3235 per \$100 of taxable net assessed value. If the Board adopts the recommended property tax

rate, pursuant to statute, the RFCD will not 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 \$5.0789 per \$100 of taxable net assessed value, a decrease of \$0.1163 from the FY 2021/22 tax rates. The FY 2022/23 recommended primary and secondary County tax rates are summarized in Table 9 below.

<b>Table 9: Combined Recommended County Property Tax Rate</b>			
<b>Description</b>	<b>FY 2021/22 Adopted Rates</b>	<b>FY 2022/23 Recommended Rates</b>	<b>Difference</b>
General Fund Primary	\$3.8764	\$3.8764	\$0.0000
Library District	0.5353	0.5453	0.0100
Debt Service	0.4500	0.3200	(0.1300)
RFCD	0.3335	0.3235	(0.0100)
<b>TOTAL</b>	<b>\$5.1952</b>	<b>\$5.0652</b>	<b>(0.1300)</b>

For the eighth 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 4.50 percent more than the current year base and to secondary tax bases that range from an increase of 4.50 percent (Debt Service and Library District) to an increase of 4.18 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 \$9,371,294, or 1.9 percent, more than the current year levies as shown in Table 10 below.

<b>Table 10: Combined Recommended County Property Tax Levy</b>			
<b>Description</b>	<b>FY 2021/22 Adopted Levies</b>	<b>FY 2022/23 Recommended Levies</b>	<b>Difference</b>
General Fund Primary	\$375,861,572	\$392,781,054	\$16,919,482
Library District	51,903,493	55,253,201	3,349,708
Debt Service	43,632,677	32,424,398	(11,208,279)
RFCD	29,329,496	29,639,879	310,383
<b>TOTAL</b>	<b>\$500,727,238</b>	<b>\$510,098,532</b>	<b>\$9,371,294</b>

#### **B. Combined County Budget**

The FY 2022/23 Combined Recommended County Expenditure Budget is reflected in the budget schedules and departmental budget summaries that follow this memorandum totals \$1,937,895,362. That expenditure amount is a decrease of \$177,704,845, or 8.4 percent from the FY 2021/22 Adopted Budget of \$2,115,600,207.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Transmittal of the Recommended Fiscal Year 2022/23 Budget**  
April 29, 2022  
Page 29

JKL/anc

c: Carmine DeBonis, Deputy County Administrator for Public Works  
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical  
Officer, Health and Community Services  
Michelle Campagne, Director, Finance and Risk Management  
Andy Welch, Deputy Director, Finance and Risk Management  
Xavier Rendon, Budget Division Manager, Finance and Risk Management