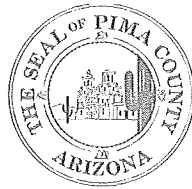


DR. MATT HEINZ
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Pima County Board of Supervisors

To: Melissa Manriquez, Clerk of the Board
From: Matt Heinz, Supervisor, District 2
Date: April 16, 2024
RE: Proposed FY25 Recommended Budget Study Session, Tax Rates

Please distribute this item to all Board members, in preparation for the proposed Study Session re: the upcoming FY2025 Recommended County Budget.

Discussion/Direction: I thank Sup. Lee for requesting a Study Session today to discuss the various items that go into the Administrator's Recommended Budget in more detail. I have some questions below that I'd like addressed as part of that Study Session.

In the Administrator's memo dated 4/15/24, "Additional Info for the April 16, 2024, Board Meeting – Addendum Item No. 12 – Fiscal Year 2024/25 Recommended Budget Update," Ms. Leshner notes that the Board adopted **Policy D22.13: General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers**, on August 10, 2021, but then chose not to implement the new policy the first year we could have, which was regarding the FY23 Budget:

In FY 2022, the County incurred \$5,613,303 in additional State Cost Shifts. Per the State Cost Shift Policy, the recommended tax rate for FY 2023 should have increased approximately \$0.0561. As part of the budget adoption process, a decision was made to not increase the tax rate to recoup these additional costs.

	Adopted FY 2021/22 Rates	Pay Go Policy	State Cost Shift Policy	Total Change in Rates Per Policies	Adopted FY 2022/23 Rates
Primary Property Tax Rate					
General Fund Primary	\$ 3.6011	(0.0432)	-	(0.0432)	\$ 3.5579
Pay Go	0.2753	0.0432	-	0.0432	0.3185
Total General Fund	3.8764	-	-	-	3.8764
Secondary Property Tax Rates					
Library District	0.5353	-	-	-	0.5353
Debt Services	0.4500	(0.1300)	-	(0.1300)	0.3200
Flood Control District	0.3335	-	-	-	0.3335
Total Pima County Property Tax Rates	\$ 5.1952	\$ (0.1300)	\$ -	\$ (0.1300)	\$ 5.0652

- 1) Had the County implemented the State Cost Shift Policy for FY23 instead of waiving it, how much in additional General Fund revenues would that 5.61 cents in the primary tax rate have raised in FY23 and FY24, and how much more would it raise in FY25? **Please put this number in the context of the increased costs to Departmental Base Budgets we are anticipating for FY25, such as for**

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Supervisor Heinz

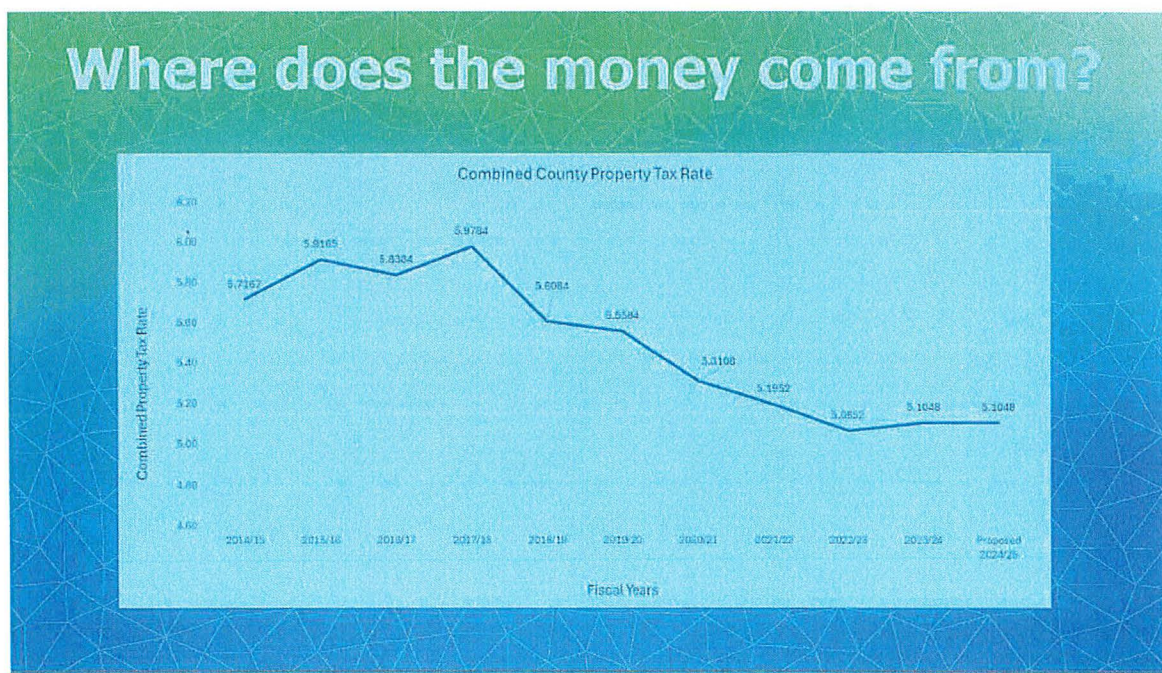
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employee benefits like health insurance and retirement, increased AHCCS/ALTCS payments to the State, inflation adjustments for materials, equipment and energy, or others.

- 2) If we added 5.61 cents to the currently proposed Primary Property Tax Rate for FY25, and held all other rates where the Administration currently has them, how much would this additional 5.61 cents cost the average Pima County homeowner, per year and per month? What about for someone with a home that is assessed at 75% of the average limited assessed value in Pima County, or someone with a home at 125% of the average?
- 3) How much of the currently projected FY25 budget deficit of \$4.5M would this additional revenue cover? Would it in fact put the overall budget in the black, and if so, by how much?
- 4) The current draft budget proposes a 3% Base Budget Reduction for all Non-Elected General Fund Departments and a 1% Base Budget Reduction for all Elected General Fund Departments. How much more in the Primary Property Tax (Rate and Overall Assessment) would be needed to completely eliminate the necessity for cuts to departmental base budgets, and what would that cost be for the average homeowner?
- 5) How do all these decisions align or not align with our *Board Policy E 36.2 -- Reducing Generational Poverty and Improving Individual and Community Wealth*? In other words, what are the potential costs to the most vulnerable in our community if our focus is on cutting expenditures instead of raising revenues to balance the budget? Who will suffer most? What opportunities to help end the cycle of poverty are we simply forgoing in the name of not raising people's taxes, even a nickel?
- 6) Regarding this chart. Why are we not discussing the fact that over the past decade, we have reduced the Combined County Property Tax Rate by 61 cents? Isn't this important context for what we do next?



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- 7) How do our Median Property Taxes in Pima County compare to those in our peer cities/counties across the Mountain West?
- 8) Finally, how much have State Cost Shifts cost Pima County taxpayers going back to when the state first started shifting costs onto the counties in order to "balance" its own budget? What was the overall hit to our county budget in FY24 of covering state mandated costs and services that the state used to cover? How much of our current Primary Property Tax Rate goes to cover these State Mandated Programs today?

CC: Jan Leshar, County Administrator
Ellen Moulton, Director, Finance and Risk Management