AGENDA MATERIAL
DATE 2/9/26 ITEM NO. RA 4

PIMA COUNTY
FINANCE & RISK MANAGEMENT

FY 2026/27 Working Draft Budget Update

February 9, 2026

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Budget Overview

Based on Period 6 Forecast

FY 2025/26 General Fund budget is fiscally stable

General Fund revenues projected to exceed budget

General Fund expenditures trending lower than budget

Projected fund balance increase because of increased revenues and reduced expenditures

FY 2026/27 base General Fund budget demonstrates continued stability

FY 2026/27 Budget Process & Key Terms

Working Draft as of 2/6/2026

Key Terms:

Base Budget: the prior year's budget adjusted for known & measurable financial changes (such as utility increases, known contract changes, postage, and other rate/volumetric adjustments). Includes revenue impacts of BOS Policies including:

- D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program (PAYGO)
- D 22.13 General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers
- D 22.17 Closing the Gap in Affordable Housing, Tackling Housing Insecurity, and Preventing an Escalation of Homelessness

DREAM Submissions: General and Non-General Fund Department Request for Expenditure Authority and Money with no identified funding source

Supplemental Requests: Non-General Fund departments may submit a supplemental budget request if there is a dedicated revenue stream

FY 2026/27 General Fund Base Budget Assumptions

Working Draft as of 2/6/2026

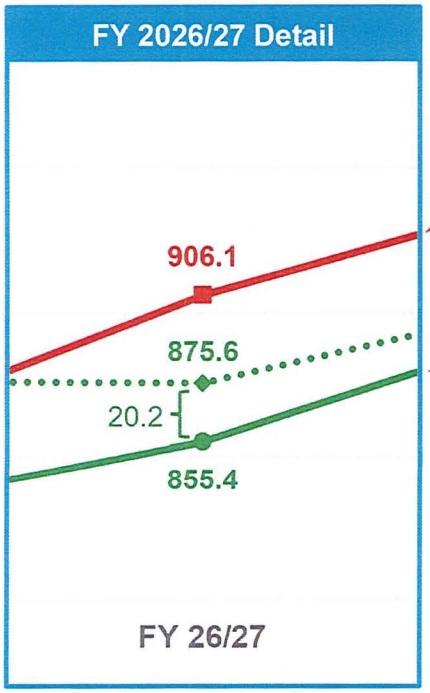
Revenues	$ Millions
FY 2025/26 Base	802.6
Add Property Tax Components	
Increase due to NAV	21.1
Increase due to PAYGO	3.0
State Cost Shifts	4.7
$0.03 for Affordable Housing	3.7
Add Vehicle License Tax	2.2
Add State Shared Sales Tax	14.9
Total change from FY 2025/26	49.6
Total	**Total**
Total FY 2026/27 Revenues	**852.2**
Total Transfers In	3.2
Revenues & Transfers In	**855.4**

Expenditures	$ Millions
FY 2025/26 Base	722.0
Less Budget Stabilization*	(1.7)
Add Retirement Costs	2.4
Total change from FY 2025/26	0.7
Total	**Total**
Total FY 2026/27 Expenditures	**722.7**
Total Transfers Out	132.3
Expenditures & Transfers Out	**855.0**

** Budget Stabilization includes funding for contingency and lawyers.*

FY 2026/27 General Fund Projections

Working Draft as of 2/6/2026



Expenditures	$ Millions
FY 2025/26 Base Expenditure	722.0
Net Change from prior year	47.4
FY 2026/27 Base Expenditure	**769.4**
Transfers Out	136.7
Expenditures & Transfers Out	**906.1**

Available Use of Fund Balance after Operational Adjustments	**$ Millions 20.2**

Revenues	$ Millions
FY 2025/26 Base Revenue	802.6
Net Change from prior year	49.6
FY 2026/27 Base Revenue	**852.2**
Transfers In	3.2
Revenues & Transfers In	**855.4**

FY 2026/27 General Fund Additional Assumptions

Working Draft as of 2/6/2026

Revenues	$ Millions
FY 2025/26 Base	802.6
Add Property Tax Components	
Increase due to NAV	21.1
Increase due to PAYGO	3.0
State Cost Shifts	4.7
$0.03 for Affordable Housing	3.7
Add Vehicle License Tax	2.2
Add State Shared Sales Tax	14.9
Total FY 2026/27 Revenues	**852.2**
Transfers In	
Add: Base Transfers In	3.2
Revenues & Transfers In	**855.4**
Add: Use of Fund Balance	20.2
Total Sources	**875.6**

Expenditures	$ Millions
FY 2026/27 Base	722.7
Add: Base Budget Adjustments	20.9
Add: DREAM Requests	10.2
Add: Compensation Strategy 5%	15.6
Total FY 2026/27 Expenditures	**769.4**
Transfers Out	
Add: Base Transfers Out	132.3
Add: Increase to PAYGO	3.0
Add: Health Support	1.4
Expenditures & Transfers Out	**906.1**

Transfers In/Out Defined

Transfers In: Money a fund receives from another fund within the County.

- Examples:
  - Indirect cost recoveries on grants provided from the Grants Fund to the General Fund
  - Vehicle impound revenues collected by the Sheriff's Department provided from the Special Revenue Fund to the General Fund

Transfers Out: Money a fund sends to another fund within the County.

- Examples:
  - General Fund monies provided to the Debt Service Fund to make payments on debt
  - Subsidy provided to the Health Fund from the General Fund to sustain operations

Optional Funding Levers

BOS Policy Review

- D 22.12 – PAYGO
- D 22.13 – State Cost Shifts
- D 22.14 – General Fund – Fund Balance
- D 22.17 – Closing the Gap in Affordable Housing

Property Tax Rate Increase

- Net $1.2 million in revenue for each $0.01 rate increase
  - *Limitations: Levy Limit & existing pressures on primary tax rate*

Reduction of Expenditures

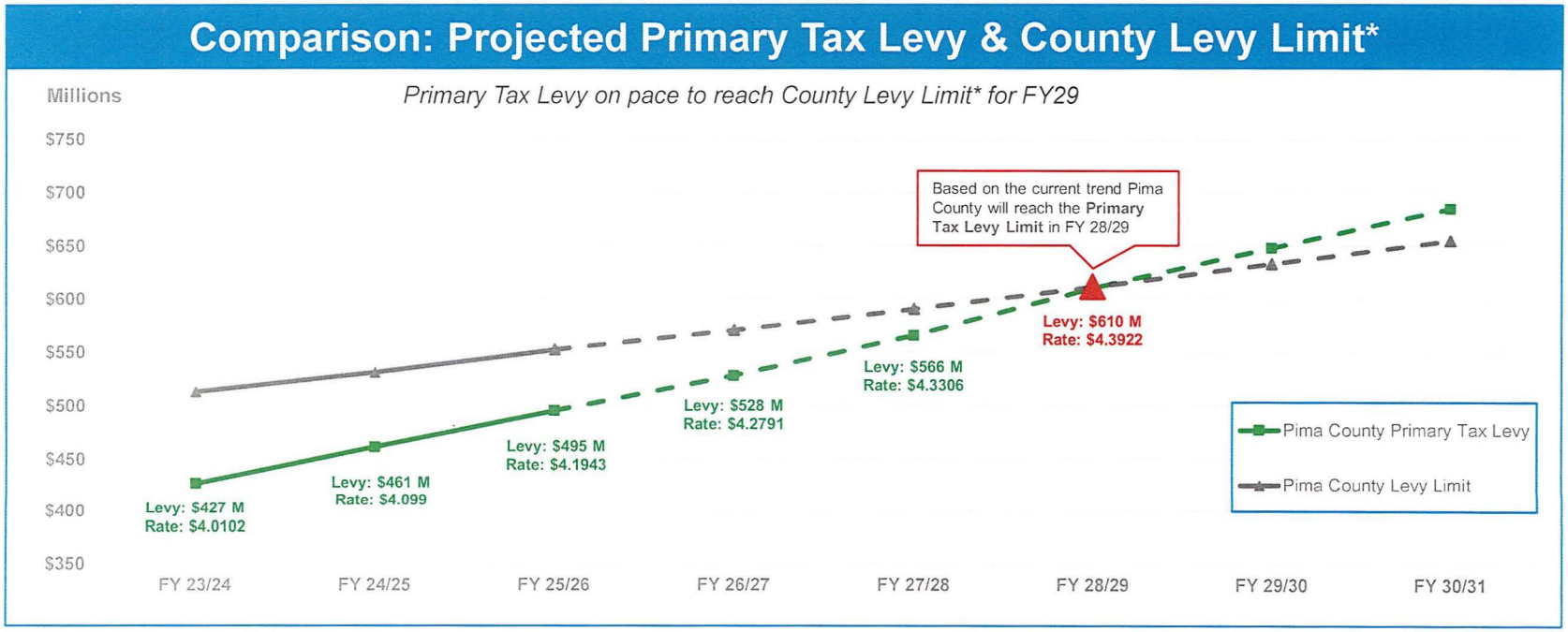
- DREAMs
- Compensation Strategy
- Other Expenditures

General Fund DREAMs and Compensation Elements

Working Draft as of 2/6/2026

DREAMs (General Fund)	Submitted $ Millions	Under Consideration $ Millions
Request Type		
Maintaining Existing Resources and Assets	19.0	5.3
Expanding Existing Resources and Assets	17.2	3.2
New Programs and Services	4.2	1.7
Total	**40.4**	**10.2**
Compensation Elements		**$ Millions**
Childcare Stipend Program		1.0
Student Loan Repayment Program		1.0
Benchmarking PCSD Deputies and Sergeants		3.5
Benchmarking In-Demand and Below Grade Adjustments		0.9
Class and Comp Maintenance (3% increase)		9.2
Total		**15.6**

Primary Tax Levy Limit Projection



*The Primary Property Tax Levy is limited to 2% growth, plus the percentage of growth of the tax base attributable to new construction.

Primary Tax Levy Limit Details

Primary Property Tax Levy Limit

In Arizona, A.R.S. 42-17051 imposes a primary property tax levy limit on cities, counties, and community college districts that caps the amount of primary property tax a jurisdiction can levy each year. The statute provides for an annual levy limit increase of 2% plus the percentage of the jurisdiction's net assessed value attributable to new construction.

For most years since 2010, new construction added somewhere between 1% and 2% annually to Pima County's tax roll so the County's levy limit has increased somewhere between 3% and 4% per year.

Levy Limit Override

Under A.R.S. 42-17201, a county can override the levy limit if a majority of county voters approve a secondary property tax that provides additional revenue over and above the primary property tax levy limit.

The referendum requesting that voters approve the secondary property tax must be approved by at least two-thirds of the Board of Supervisors.

5-Year General Fund Forecast

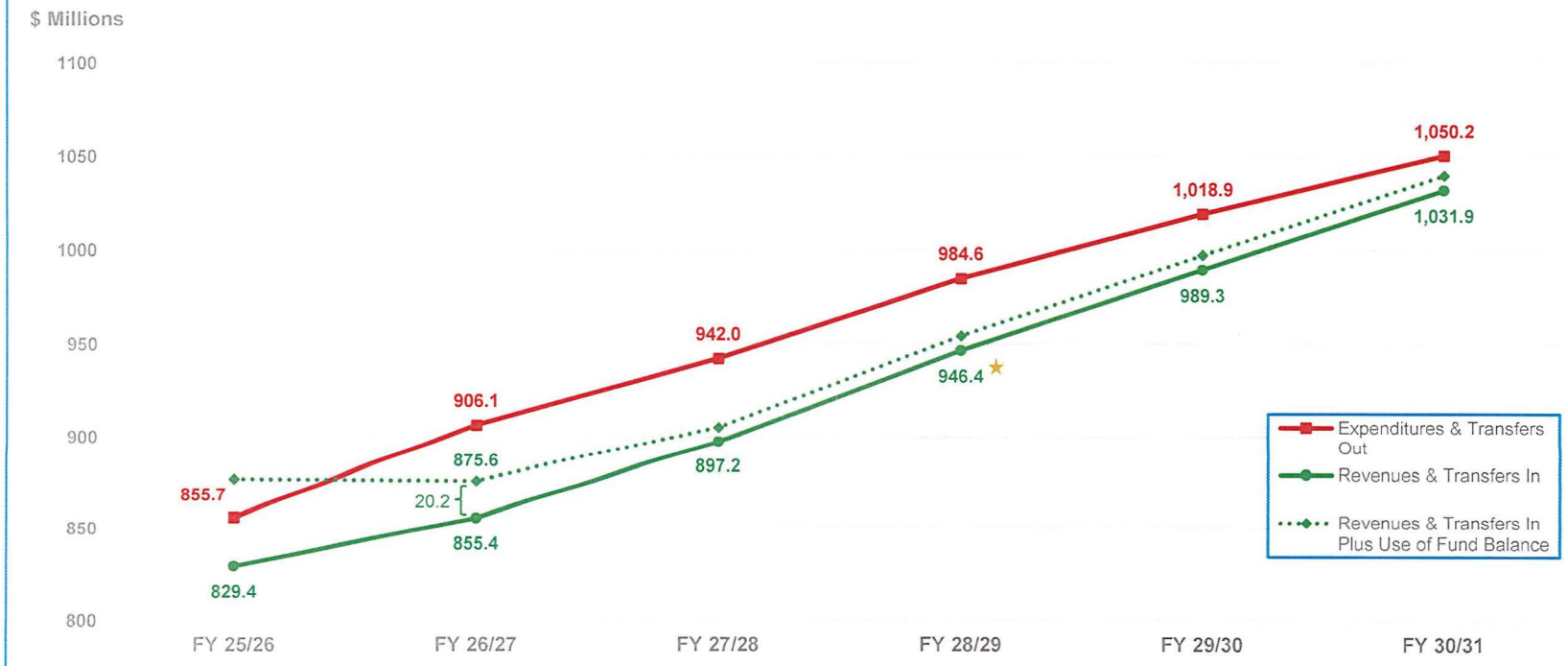
Working Draft as of 2/6/2026

Revenue Assumptions	Average Annual Change
Property Tax	
Increase due to NAV change	5.2%
Increase due to PAYGO	Per BOS Policy
Increase for Affordable Housing	$0.03
State Shared Sales Tax	3.0%
Vehicle License Tax	3.2%
Expenditure Assumptions	**Average Annual Change**
Health Insurance premiums	7%
Retirement Costs	5%
Internal Service Rates	3%
Wage Strategy	5%
Utility Costs	5%
Additional Fund Balance Assumptions	**Assumption**
Available Use of Fund Balance	Per BOS Policy
Operational Adjustments	$10 million favorable
Other Sources & Uses: Transfers Out	PAYGO, Debt Service, Affordable Housing

5-Year General Fund Forecast

Working Draft as of 2/6/2026

Budget Projections FY2026/27 – FY2030/31

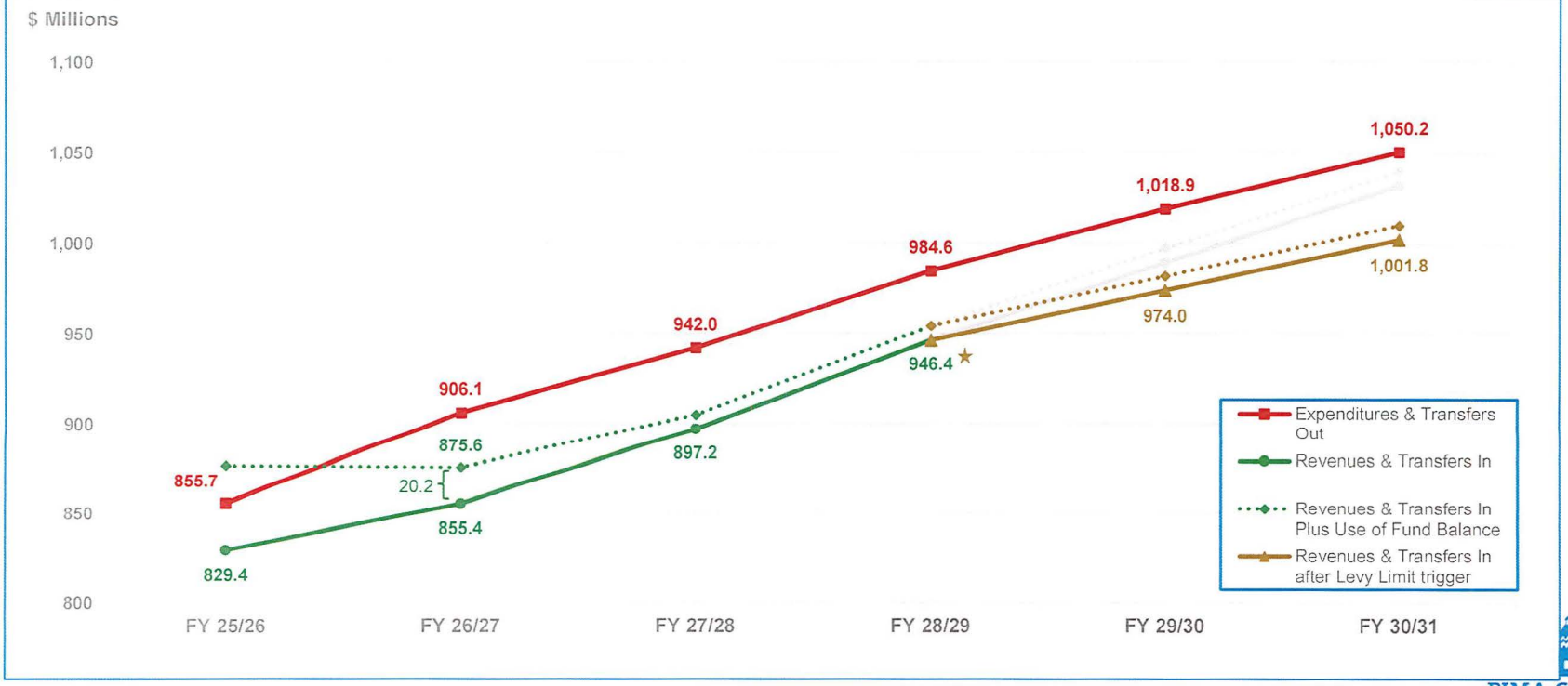


★ Based on the current trend Pima County will reach the **Primary Tax Levy Limit** in FY 28/29

5-Year General Fund Forecast

Working Draft as of 2/6/2026

Budget Projections with Levy Limit trigger FY2026/27 – FY2030/31



★ Based on the current trend Pima County will reach the **Primary Tax Levy Limit** in FY 28/29

PIMA COUNTY
FINANCE & RISK MANAGEMENT

General Fund Key Takeaways

- Fiscally stable
- Monitoring future financial headwinds
- Levy Limit restrictions
- Annual Expenditure Limitation

Current FY 2025/26	$ Amount
FY 2025/26 Primary Rate	4.1943
BOS Policy Implementation	**$ Amount**
Add: PAYGO Rate Increase	0.0127
Add: State Cost Shifts	0.0363
Add: Affordable Housing	0.0300
Initial Primary FY 2026/27 Tax Rate	**4.2733**

Non-General Fund Budget Update

Working Draft as of 2/6/2026

DREAMs (Non-General Fund)	Submitted $ Millions	Under Consideration $ Millions
Request Type		
Maintaining Existing Resources and Assets	0.8	-
Expanding Existing Resources and Assets	4.7	4.7
New Programs and Services	3.8	3.8
Total	**9.3**	**8.5**
Supplementals	**Submitted $ Millions**	**Under Consideration $ Millions**
Request Type		
Maintaining Existing Resources and Assets	23.7	23.7
Expanding Existing Resources and Assets	7.0	5.8
New Programs and Services	0.5	0.5
Total	**31.2**	**30.0**

Non-General Fund Takeaways

Library

- $0.02 Property Tax Increase
  - PEEPs

Flood Control

- $0.01 Property Tax Increase
  - One Pima Initiative

Fund Balance

- Fund Balance Reserve Policy

Current FY 25/26	$ Amount
FY 25/26 Secondary Rate	1.0018
Secondary Tax Increases	**$ Amount**
Add: Library Tax Increase	0.0200
Add: Flood Control Tax Increase	0.0100
Add: Debt Service Decrease	(0.0275)
Add: State Cost Shifts (Library & Flood Control)	0.0059
Secondary FY 26/27 Est. Tax Rate	**1.0102**
Primary FY 26/27 Est. Tax Rate	4.2733
Total FY 26/27 Est. Combined Rate	5.2835
Total FY 25/26 Combined Rate	5.1961
Initial Draft Increase in Tax Rate	**0.0874**

PIMA COUNTY

Board of Supervisors

Jennifer Allen, *Chair*, District 3
Dr. Matt Heinz, *Vice Chair*, District 2
Rex Scott, District 1
Steve Christy, District 4
Andrés Cano, District 5

Pima County Administrator

Jan Lesher

Deputy County Administrators

Carmine DeBonis, Jr.
Steve Holmes