AGENDA MATERIAL
DATE 2/9/26 ITEM NO. RA 8

MEMORANDUM

Date: March 18, 2025

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

From: Jan Lesher
County Administrator

Re: **Alternative Revenue Sources and Special Taxing Districts**

The Board is aware of significant budgetary constraints the County is facing in addressing rising operational costs, inflation, and existing financial commitments that continue to strain General Fund resources, including State mandated cost shifts. The uncertainty of federal grants, many of which the County has relied upon for years, is an additional new challenge. To this end, staff has developed a list of other possible revenue sources available to Pima County, including special taxing districts. A few of these special taxing districts cannot be formed by Pima County and are for smaller geographic areas, but fund expenses that impact the County, and are therefore included for general awareness. This includes information on fire districts since the Board recently heard from a number of fire chiefs about funding constraints.

One of the special taxing districts listed is a public health services district. Forming this district could provide additional or supplemental revenues through a dedicated secondary property tax (limited to a tax rate of 25 cents) or a small sales tax (limited to one tenth of a cent) for public health expenses that currently compete with other general funded County needs. Both of these taxes are estimated to generate approximately $25 million a year.

This type of district could provide an assured source of funding to address the continued critical shortage of physicians across the county. Pima County has a history of supporting critical federal match initiatives for hospital, which can result in federal funding at a 2:1 or 3:1 match. Hospitals use these funds to 1) offset uncompensated care; 2) augment critical services; and 3) grow resident physician training programs. As an example, Banner, utilizes a portion of Pima County's annual $15 million contribution for medical services at the Banner – University South Campus (formerly known as the Kino Campus) to leverage federal funding for physician training. Tucson Medical Center has had similar partnerships with Pima County and the City of Tucson.

Public health services districts can also fund general public health services currently provided by the Pima County Health Department, as well as physical and behavioral health services to those in the Pima County Jail. At a time when federal grant awards are uncertain, including federally funded state pass-through funding used for many of our direct public health services (clinic services, immunization and nutrition services, etc.), having such a district in place may be fiscally prudent.

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While reviewing ways in which County expenditures can be decreased, staff will continue to explore possibilities to provide stable, reliable funding sources during these uncertain times.

A list of possible County Revenue Sources and Special Taxing Districts is provided in the attachment.

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Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Art Cuaron, Director, Finance and Risk Management
Terry Cullen, MD, MS, Public Health Director, Health Department
Paula Perrera, Director, Detainee and Crisis Systems
Sarah Davis, Senior Advisor, County Administrator's Office
Nicole Fyffe, Senior Advisor, County Administrator's Office

Additional County Revenue Sources and Special Taxing Districts

Note, some of the special districts listed are not county-wide districts and cannot be initiated or formed by the Board of Supervisors directly. However, they are included since they do provide funding for public services that are either within the authority of the County (i.e. public facilities within community facilities districts), or of interest to the County (i.e. public health and safety services provided by fire districts.)

Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount and area subject to**	**Spending Restrictions**
General County Sales Tax ARS 42-6103	Requires unanimous approval of the Board.	None - Board cannot refer a sales tax to the ballot.	Up to a half cent to be levied on taxable goods and services within the County, including within cities and towns, which would generate approx. $109M -$124M a year	No restrictions
Capital Projects Sales Tax ARS 42-6111	Requires unanimous approval of the Board to refer to voters.	Requires voter approval during a special election or general election.	Up to a half cent (5%), which would generate approx. $109M -$124M a year. Note a general sales tax and capital projects sales tax cannot exceed 5% combined.	For capital projects and to purchase, construct and lease buildings, structures, facilities, roads, highways and other real and personal property, including open space and development rights, for the use or benefit of the county.
General Obligation Bonds repaid with a secondary property tax levy ARS 35-451 thru ARS 35-462	Requires majority approval by the Board of a resolution to call the election, including one or more bond propositions (questions) to be	Requires voter approval during any November election – not restricted to even year November elections.	With voter approval, counties can incur General Obligation debt up to 15% of the net assessed property value of the county, which for Pima County is	Typically used to fund capital improvements including land acquisition, design and construction.

	placed on the ballot. Note that registered voters (15% or more) can also petition the Board to call a bond election – and in that case the Board is required to call the election.		approx. $1.9B. A one cent increase in the secondary property tax generated approximately =$1.1M in revenue. The levy would be on all taxable property within the County, including property within cities and towns.	
Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount and area subject to**	**Spending Restrictions**
County Improvement District ARS 48-901 thru 48-1098	Board can establish improvement districts upon petition by at least 51% of property owners within a specific area of unincorporated Pima County.	None	After the improvement district is established, the proposed improvements are designed and the costs are determined. Property owners either pay their share of the costs via a special assessment or bonds are issued by the district to finance the costs of the improvements.	To finance the construction or improvement of local public infrastructure such as streets, sewer lines, drainage ways, etc.
Community Facilities District (CFD) ARS 48-701 thru ARS 48-729	A petition to form a CFD must be signed by at least 25% of the owners of the land area proposed to be included in the district. Often this is a single landowner who is	Required vote of landowner(s) within the district.	CFDs can issue bonds to be repaid with property taxes levied on property owners within the district at tax rate limit of $3.00, including for operations and maintenance.	CFDs are special taxing districts for the purpose of financing the construction, acquisition, operation and maintenance of public infrastructure for master planned

	the master developer of a master planned community. The Board of Supervisors, on a majority vote, has discretion to approve a resolution of intent to form a district and a resolution ordering formation of the district, subject to an election.			communities. Pima County Admin Procedure limits CFDs to communities of 600 acres or more because of the administrative costs and effort related to CFDs.
Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount and area subject to**	**Spending Restrictions**
Community Park Maintenance District ARS 48-261 and ARS 48-1201 thru ARS 48-1214	Board is to hold a hearing to determine if the proposed district, which cannot exceed 160 acres in size, will promote public health, comfort, convenience, necessity or welfare; and if so, authorize circulation of petitions to be signed by owners of more than one-half of the taxable property units in the area of the proposed district and be signed by persons owning collectively more than one-half of the assessed valuation of the	No public vote on district formation. Members of the board of directors shall be registered voters of the district and, after the initial members, shall be elected by the registered voters of the district.	Maintenance and related operating costs incurred by each district shall be paid from revenues derived from an annual tax levy on the real property located within the district, not exceeding 18% of the appraised market value of the community park. The board of directors may charge and collect fees, rentals and service charges for any service performed or property furnished by the district.	For the purpose of maintaining existing community parks that are certified by the board for inclusion in the district. "Community park" means an area of developed or undeveloped land within the boundaries of a district not exceeding 160 acres.

	property in the area of the proposed district; hold another hearing where if the petitions are determined to be valid the Board orders creation of the District.			
Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount**	**Spending Restrictions**
Public Health Services District ARS 48-5801 thru ARS 48-5805	Requires the Board to call the election for the purposes of forming the district. The district shall consist of the entire county including the cities and towns that are located entirely or partially within the county. Board serves as the Board of Directors.	Requires voter approval to form district during a special or general election.	Board, by majority vote, may levy a sales tax of not more than 2% of the state sales tax (= one tenth of a cent which is estimated to generate $23.8M annually; or a secondary property tax rate of up to 25 cents, estimated to generate approx $27.5M annually.) County shall not reduce expenditures for public health to an amount that is less than 50% of the county's fiscal year general fund public health expenditures as determined by calculating the average of the fiscal year expenditure amounts for the three fiscal years immediately preceding the	For the purpose of providing public health services for the district.

			year of the election.	
Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount**	**Spending Restrictions**
Health Service District **A.R.S. 48-2202**	A petition requesting formation of the district shall be filed with the clerk of the board if signed by ten per cent of the qualified electors within the proposed district and signed by persons owning collectively more than ten per cent of the assessed valuation of the property in the area of the proposed district. The Board of Supervisors, on a majority vote and after a public hearing, has discretion to call an election for formation of the District, including 3 or names of persons to be elected to the Board of Directors.	District formation requires approval of voters in the proposed district. Future elections required for Board members after the initial Board; and to approve bond indebtedness.	Revenue for the district is from a property tax or rental revenue or service charges. Bonded indebtedness shall not exceed 5% of NAV of the district.	For the purpose of purchasing, leasing, lease-purchasing, constructing, establishing, equipping, operating or maintaining an ambulance service, a medical clinic or clinics, in medically underserved areas, greater than 640 acres with more than 300 qualified electors. Clinics cannot operate overnight (i.e. not hospitals)
Jail District **A.R.S. 48-4001**	Requires majority approval to adopt a resolution to establish a county jail district.	Requires voter approval for a sales tax or property tax to fund the district Sales tax may be approved in	Maximum sales tax rate: 0.25%/1/4 cent (generates approx. $55M-$62M a year) Maximum property tax rate:	For the purpose of acquiring, constructing, operating, maintaining and financing county jails and jail systems and juvenile detention

		special or general election. Property tax must be approved at a general election	$0.20 (1 cent generates $1.1M, 20 cents generates $22M a year) Statute requires counties to maintain General Fund support equal to the amount spent in the FY prior to the district's creation adjusted annually by the lesser of inflation or change in the county's levy limit. Not subject to county expenditure limit.	facilities, but only if the inclusion of juvenile detention facilities is jointly requested by the sheriff and the presiding judge of the juvenile court and the board of supervisors finds that the public interest, convenience and necessity will be served by including juvenile detention facilities, as provided by this chapter.
Revenue Source/Special Taxing District	**Board of Supervisors Action**	**Voter Action**	**Amount**	**Spending Restrictions**
Fire District ARS 48-261 and ARS-48-802 thru ARS 48-854	Board is to hold a hearing to determine if the proposed district will promote public health, comfort, convenience, necessity or welfare; and if so, authorize circulation of petitions to be signed by owners of more than one-half of the taxable property units in the area of the proposed district and be signed by	No public vote on district formation	Authorized to levy a secondary property tax to pay for the cost of services. Max tax rate limited to $3.75.	To provide fire protection services, emergency medical services, enforce the fire code adopted by the District.

	persons owning collectively more than one-half of the assessed valuation of the property in the area of the proposed district; hold another hearing where if the petitions are determined to be valid the Board orders creation of the District.			

Initiatives and Referendums at the County level

Referendums: Unlike the State Legislature, local legislative bodies like Board of Supervisors have no legal authority to voluntarily refer legislation (ordinances, funding mechanisms, district formations, etc.) to voters.

Initiatives: While initiative measures (signature petitions) can be run for legislation at the county level in a similar fashion to legislation at the state level, "The right of initiative reserved to the qualified electors of a county is limited by the express terms of the Arizona Constitution to 'county matters on which such ... counties are or shall be empowered by general laws to legislate.' Ariz. Const. art. IV, pt. 1, § 1(8). Therefore, it is likely that initiative measures are limited to activities for which the Board has authority.