



MEMORANDUM

Date: June 18, 2019

To: The Honorable Chairman and Members
Pima County Board of SupervisorsFrom: C.H. Huckelberry *CHH*
County Administrator

Re: Adoption of Fiscal Year 2019/20 Budget

At the June 18, 2019 Board of Supervisors Meeting, the Board continued the various County budgets to the July 2, 2019 meeting to allow appropriate evaluation of budget modification proposals made by Supervisor Ally Miller.

First, there was a basic redefinition of Truth in Taxation (TNT) to something of an aggregate tax levy neutral, which simply means the tax levies, when summed, of the primary, secondary and flood control would be equal to TNT total overall levy. Which, if extracted from Table 1 of my June 11, 2019 (repeated below) would mean a total of approximately \$10.7 million would need to be reduced from the Adopted Tentative Budget for Fiscal Year (FY) 2019/20.

Table 1: Tentative Adopted Tax Rates and Levy Reduction to achieve TNT Neutral

Fiscal Year 2019/20 Budget	Budgeted Expenditures	Tax Rate	TNT Rate	Levy Reduction
Total County Budget	\$1,310,817,540	\$5.5584	--	
Primary Property Tax:				
General Fund Primary	\$616,076,355	\$3.9996	\$3.9257	\$6,451,443
Secondary Property Taxes:				
County Free Library District	\$43,111,317	\$0.5353	\$0.4971	\$3,334,846
Regional Flood Control District	\$16,914,213	\$0.3335	\$0.3208	\$1,008,979
Debt Service	\$107,861,884	\$0.6900		
				\$10,795,268

Since Supervisor Miller suggested the largest reduction should come from the Regional Flood Control District's (RFCD) by eliminating the operating transfer to the Capital Project Fund of \$8.4 million, this would mean the tax rate for the RFCD will dramatically decrease below the TNT rate. Hence, the \$1,008,979 would have already been taken care of. Therefore, the net levy reduction necessary to achieve this definition of tax neutrality would be to reduce the Adopted Tentative Budget property tax expenditures in the County Budget by approximately \$9.7 million.

Flood Control District Impact

Supervisor Miller suggested \$8.4 million of this amount come from the RFCD operating transfer to the Capital Projects Fund. This would mean \$8.4 million of RFCD capital projects will have to be postponed for at least one year.

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The attached table shows (Attachment 1) the RFCD capital projects that are included in the Capital Improvement Program by fiscal year and the amount of RFCD tax levy dedicated to each program/project. When reducing the RFCD operating transfer to the capital projects fund by \$8.4 million, these projects will not be completed or funded in FY 2019/20 and will have to carryover to the next fiscal year which either significantly increases the capital program for that year or pushes more projects into the future. The projects that will be eliminated are the Floodprone Land Acquisition Program, which has been helpful in identifying stranded, flooded properties that require acquisition with cost of flood control structural improvements greatly exceed the property value. The Catalina Ridge project is in the Town of Oro Valley; the Cañada del Oro North Bank is a developer participation project; the Airport and Christmas Washes are City of Tucson projects; the El Rio project is in the Town of Marana; and, the urban drainage category is for unidentified urban drainage problems that arise during intense rainfall/flooding event. Also note some of the projects on the list have already been bid; hence, cannot be postponed.

An \$8.4 million reduction in the RFCD tax levy will require a reduction of \$0.1057 in the presently adopted rate of \$0.3335 to \$0.2278.

Other Reductions

It was also suggested the fund balance could be decreased or a hiring freeze could be implemented. These suggestions will be further detailed below.

Fund Balance Reduction

Supervisor Miller also suggested that, after reserving funds for the possible loss of the Drug Treatment Alternative to Prison (DTAP) funding \$325,000 as well as a \$700,000 reserve for chronic underfunding of the Accommodation District by the former Superintendent of Schools, it would be possible to reduce \$2 million from the fund balance. This would be the minimum level necessary to retain our bond ratings. I stress this is the minimum level and do not recommend the Board further reduce the FY 2019/20 ending fund balance, as doing so would leave us no capacity to accommodate for any unexpected expenses that may arise during the fiscal year.

Hiring Freeze

I am not supportive of hiring freezes, except in emergency conditions. The historical and largest problem with hiring freezes are the exceptions to the hiring freeze. Typically, we first exempt the Sheriff, then the County Attorney, followed by the Courts. After other exemptions, there is no hiring freeze except for the less popular County Departments. Hence, hiring freezes are usually grossly inequitable and do not achieve the desired financial outcome due to the number of exemptions.

If the goal is to reduce the tax levy by \$9.7 million, the easiest way to do so is to apply a 2.5 percent rate of attrition to all County General Fund departments and agencies, and require the departments where such an attrition rate is applied to surrender and defund equivalent Full Time Equivalent (FTE) positions, equal to the 2.5 percent attrition savings of gross payroll, including benefits.

The table below outlines the fractional and total number of FTEs that would need to be surrendered. Please note these numbers are based on the average County employee's salary and benefits, and will vary by department depending upon the value of the surrendered PCNs. The table provides a rough estimate of the fractional number of FTEs that would have to be surrendered or eliminated.

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As you can see it is a little difficult to eliminate a fraction of a position. In addition, this would only apply to County General Fund departments, which is unfair.

Full-Time Employees and Personnel Compensation - 2.5% Attrition and FTE Reduction Fiscal Year 2019/2020						
Fund/Department		Full-Time Equivalent (FTE)	Employees Salaries & Hourly Costs	Benefits Cost	Total Estimated Personnel Compensation	FTE Reduction
		2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
GENERAL FUND						
General Government Services						
Analytics & Data Governance	Analytics & Data Governance	20.50	1,672,812	447,243	2,120,055	53,001 0.78
Assessor	Assessor	133.00	5,686,476	1,292,121	6,978,597	174,465 2.58
Board of Supervisors	Board of Supervisors	24.60	1,485,842	645,878	2,131,720	53,293 0.79
Clerk of the Board	Clerk of the Board	18.00	904,460	322,777	1,227,237	30,681 0.45
County Administrator	County Administrator	18.73	1,873,595	471,510	2,345,105	58,628 0.87
Elections	Elections	60.25	2,176,511	449,859	2,626,370	65,659 0.97
Facilities Management	Facilities Management	171.60	8,766,618	3,265,752	12,032,370	300,809 4.44
Finance & Risk Management	Finance & Risk Management	164.80	10,008,703	3,239,907	13,248,610	331,215 4.89
General Government Services	General Government Services Administration	2.00	273,651	74,343	347,994	8,700 0.13
Human Resources	Human Resources	33.00	1,888,634	597,950	2,486,584	62,165 0.92
Information Technology	Information Technology	109.00	8,208,254	2,559,361	10,767,615	269,190 3.98
Procurement	Procurement	30.00	1,803,899	572,255	2,376,154	59,404 0.88
Recorder	Recorder	65.25	2,875,912	620,712	3,496,624	87,416 1.29
Treasurer	Treasurer	34.50	1,706,524	584,907	2,291,431	57,286 0.85
Total General Government Services		885.23	49,331,891	15,144,575	64,476,466	1,611,912 23.82
Community Resources						
Communications and Graphic	Communications and Graphic Services	21.00	1,150,370	427,232	1,577,602	39,440 0.58
Community & Economic Dev	Community & Economic Development Administration	3.00	497,021	117,484	614,505	15,363 0.23
Community Development & N	Community Development & Neighborhood Conservation	15.50	766,000	241,857	1,007,857	25,196 0.37
Community Services, Employ	Community Services, Employment & Training	68.62	2,504,035	591,041	3,095,076	77,377 1.14
Grants Management & Innov	Grants Management & Innovation	49.00	2,859,833	961,853	3,821,686	95,542 1.41
School Superintendent	School Superintendent	14.00	821,154	292,729	1,113,883	27,847 0.41
Total Community Resources		171.12	8,598,413	2,632,196	11,230,609	280,765 4.14
Health Services						
Behavioral Health	Behavioral Health	22.63	1,415,048	437,328	1,852,376	46,309 0.68
Medical Examiner	Medical Examiner	33.00	2,671,264	826,572	3,497,836	87,446 1.29
Pima Animal Care	Pima Animal Care	97.00	4,481,013	1,410,636	5,891,649	147,291 2.18
Total Health Services		152.63	8,567,325	2,674,536	11,241,861	281,046 4.15
Justice & Law						
Clerk of the Superior Court	Clerk of the Superior Court	199.00	8,084,411	2,875,186	10,959,597	273,990 4.05
Constables	Constables	14.00	802,417	618,168	1,420,585	35,515 0.52
County Attorney	County Attorney	344.00	18,453,279	5,800,698	24,253,977	606,349 8.96
Justice Court Ajo	Justice Court Ajo	9.75	399,783	189,496	589,279	14,732 0.22
Justice Court Green Valley	Justice Court Green Valley	9.00	377,212	158,935	536,147	13,404 0.20
Justice Court Tucson	Justice Court Tucson	116.00	5,554,650	2,231,812	7,786,462	194,662 2.88
Juvenile Court	Juvenile Court	317.50	12,614,677	6,606,491	19,221,168	480,529 7.10
Public Defense Services	Public Defense Services	295.03	17,427,798	5,294,981	22,722,779	568,069 8.39
Sheriff	Sheriff	1,489.00	81,963,970	51,940,793	133,904,763	3,347,619 49.46
Superior Court	Superior Court	421.40	22,342,428	9,607,571	31,949,999	798,750 11.80
Total Justice & Law		3,214.68	168,020,625	85,324,131	253,344,756	6,333,619 93.58
Public Works						
Environmental Quality	Environmental Quality	3.00	235,007	68,703	303,710	7,593 0.11
Natural Resources, Parks & I	Natural Resources, Parks & Recreation	279.15	11,428,943	3,950,319	15,379,262	384,482 5.68
Office of Sustainability and Co	Office of Sustainability and Conservation	17.90	1,246,078	375,614	1,621,692	40,542 0.60
Public Works Administration	Public Works Administration	27.63	2,154,871	633,317	2,788,188	69,705 1.03
Total Public Works		327.68	15,064,899	5,027,953	20,092,852	502,322 7.42
TOTAL GENERAL FUND		4,751.32	249,583,153	110,803,391	360,386,544	9,009,664 133.11

This table is attached for easier reading. (Attachment 2)

Recommendation

I firmly believe all of these options have some merit but also come with risk and potentially undesirable effects. Hence, I continue to recommend the budgets for the Regional Flood Control District, the Library District, the Stadium District, and the Debt Service Fund and the overall as now County Tentatively Adopted by the Board for the FY 2019/20 Budget as modified in my recommendations for the June 18, 2019 Board of Supervisors Meeting.

FY 2019/20 Proposed Final Adopted Tax Rates

Fiscal Year 2019/20 Budget	Budgeted Expenditures	Tax Rate
Total County Budget	\$1,310,817,540	\$5.5584
Primary Property Tax:		
General Fund Primary	\$616,076,355	\$3.9996
Secondary Property Taxes:		
County Free Library District	\$43,111,317	\$0.5353
Regional Flood Control District	\$16,914,213	\$0.3335
Debt Service	\$107,861,884	\$0.6900
Stadium District	\$9,071,755	

As a side note, if Pima County had held our primary property tax rate constant as Maricopa County has, we would have accumulated a total of \$52,353,991 over our existing adopted rates and levies since Fiscal Year 2016/17.

CHH/anc

- c: The Honorable Kyle Bryson, Presiding Judge, Superior Court
Elected Officials
Jan Leshner, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Tom Burke, Deputy County Administrator for Administration
Michelle Campagne, Director, Finance and Risk Management
Robert Johnson, Deputy Director, Finance and Risk Management
Patrick McGee, Budget Manager, Finance and Risk Management

ATTACHMENT 1

**Pima County
Regional Flood Control District
Capital Improvement Program Budget for FY 2019/20**

\$8,510,000 Reduction Option

Program	Tax Levy	Other Funding	Adopted Tentative CIP	Postopned Project Tax Levy
Floodprone Land Acquisition Program	\$1,000,000		\$1,000,000	1,000,000
Arroyo Chico Detention Basin USACE	\$500,000		\$500,000	
Agua Caliente Park Pond 1 Restoration	\$800,000		\$800,000	
Catalina Ridge Drainage Channel Improvements	\$500,000	\$1,250,000	\$1,750,000	500,000
CDO Wash North Bank: Thornydale to 1-10	\$1,600,000	\$1,500,000	\$3,100,000	1,600,000
El Corazón de los Tres Rios del Norte	\$1,710,000		\$1,710,000	
Historic Cano Ranch Restoration	\$1,000,000		\$1,000,000	
Airport Wash/El Vado Wash Drainage Improvements	\$1,460,000		\$1,460,000	1,460,000
El Rio Golf Course Drainage Improvements	\$136,947		\$136,947	
El Rio Preserve Bank Protection	\$1,000,000		\$1,000,000	1,000,000
Riparian Mitigation Project Mitigation Fund	-	\$500,000	\$500,000	
Major Watercourse Infrastructure Management	\$1,000,000		\$1,000,000	
Rillito River Maintenance Projects	\$500,000		\$500,000	
Ruthrauff/Gardner Lane UPRR Culvert	\$240,000		\$240,000	
Santa Cruz River Living River Management Plan	\$1,000,000		\$1,000,000	650,000
Santa Cruz River: Irvington to Drexel	\$300,000		\$300,000	300,000
Santa Cruz River Maintenance Projects	\$1,500,000		\$1,500,000	500,000
Urban Drainage	\$1,000,000		\$1,000,000	1,000,000
Christmas Wash Drainage Improvements	\$500,000		\$500,000	500,000
TOTAL PLANNED EXPENSES	\$15,746,947	\$3,250,000	\$18,996,947	\$8,510,000

ATTACHMENT 2

**Full-Time Employees and Personnel Compensation - 2.5% Attrition and FTE Reduction
Fiscal Year 2019/2020**

Fund/Department	Full-Time Equivalent (FTE) 2019/2020	Employees Salaries & Hourly Costs 2019/2020	Benefits Cost 2019/2020	Total Estimated Personnel Compensation 2019/2020	2.5% Attrition 2019/2020	FTE Reduction 2019/2020
GENERAL FUND						
General Government Services						
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Community Services, Employment & Training	68.62	2,504,035	591,041	3,095,076	77,377	1.14
Grants Management & Innovation	49.00	2,859,833	961,853	3,821,686	95,542	1.41
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Sheriff	1,489.00	81,963,970	51,940,793	133,904,763	3,347,619	49.46
Superior Court	421.40	22,342,428	9,607,571	31,949,999	798,750	11.80
Total Justice & Law	3,214.68	168,020,625	85,324,131	253,344,756	6,333,619	93.58
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Environmental Quality	3.00	235,007	68,703	303,710	7,593	0.11
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Public Works Administration	27.63	2,154,871	633,317	2,788,188	69,705	1.03
Total Public Works	327.68	15,064,899	5,027,953	20,092,852	502,322	7.42
TOTAL GENERAL FUND	4,751.32	249,583,153	110,803,391	360,386,544	9,009,664	133.11