



MEMORANDUM

Date: April 26, 2024

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

From: Jan Lester
County Administrator

Re: **Transmittal of the Fiscal Year 2024/25 Recommended Budget**

Introduction

This memorandum presents the Fiscal Year (FY) 2024/25 Recommended Budget for Pima County, which strategically allocates resources while maintaining fiscal responsibility. This budget includes the application of the following Board of Supervisors (BOS) policies:

- [BOS Policy D 22.12](#) - General Fund Capital Improvement Fund Pay-As-You-Go Program
- [BOS Policy D 22.13](#) - General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers
- [BOS Policy D 22.14](#) - General Fund - Fund Balance

For FY 2024/25, the comprehensive budget includes \$1,726,493,259 in expenditures, reflecting a reduction of \$33,999,084 or 1.9 percent compared to the FY 2023/24 Adopted Budget. The expenditure reductions are apportioned across all functional areas: General Government Services, Community Resources, Health Services, Justice and Law, and Public Works.

The Governor and State Legislature have not adopted a State budget for FY 2024/25 as of the date of this memorandum. It is anticipated that the final State budget may have implications for the County's budget and could potentially impact the recommendations made in this memorandum. Furthermore, additional relevant information may arise for the Board of Supervisors (BOS) to consider as they deliberate on the budget prior to consideration of its final adoption on June 18, 2024.

Drafts of the working budget, including budgets submitted by all County departments, have been available on the [County Budget website](#) since March 5, 2024. These reports are regularly updated 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.

These financial reports include actual FY 2022/23 amounts, Adopted Budget amounts for FY 2023/24, year-to-date amounts for FY 2023/24 as of the report's date, and

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Transmittal of the Fiscal Year 2024/25 Recommended Budget**
April 26, 2024
Page 2

Recommended Budget amounts for FY 2024/25. Additionally, the reports include two columns of variances that highlight comparisons between the FY 2023/24 Adopted Budget and the FY 2024/25 Recommended Budget, as well as the FY 2023/24 Adopted Budget and the actual year-to-date revenues and expenditures for FY 2023/24.

In addition to these reports, the County Budget website includes budget-related communications issued to the Board and County departments throughout the FY 2024/25 budget process. This information can be accessed on the County's home page (www.pima.gov) by clicking the County Budget link under the "Government" section.

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

May 21, 2024	Tentative Budget Adoption (Sets Budget Ceiling)
June 18, 2024	Truth in Taxation Hearing (Pima County, County Free Library, and Regional Flood Control)
June 18, 2024	Final Budget Adoption
August 19, 2024	Tax Levy Adoption (Date set by state statute)

The documents listed below will follow this budget memorandum:

- Budget schedules detailing 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 Recommended budget for FY 2024/25 represents a balanced approach to financial management, blending continuing, expanded, and new initiatives with fiscal prudence. It reflects our commitment to maintaining stability for County residents and employees while maintaining a solid financial foundation. This process involved scrutinizing expenses, exploring avenues for revenue enhancement, and reassessing the County's spending priorities.

Table of Contents

I. OVERVIEW OF RECOMMENDED BUDGET	5
II. AREAS OF FOCUS	8
A. Effectively Manage Core Functions and Provide Excellent Service to Pima County Residents	8
B. Prioritize Critical Infrastructure and Economic Growth	9
C. Improve the Quality of Life for Pima County Residents	10
D. Allocating State Cost Shifts	10
E. Being an Employer of Choice	11
F. Providing Employee Benefits	11
G. Managing County Staffing	12
III. GENERAL FUND ENDING FUND BALANCE FOR FY 2023/24	13
IV. GENERAL FUND SUBMITTED BASE BUDGET FOR FY 2024/25	13
A. General Fund Base Budget Revenues.....	13
1. General Government Revenues Other Than Property Taxes.....	14
2. Primary Property Tax Revenues.....	14
3. Departmental Revenues	15
B. General Fund Submitted Base Budget Expenditures	16
V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES	16
A. Fiscal Strength and Stability.....	16
B. Employer of Choice.....	16
C. Supplemental Increases	16
VI. THE OVERALL BUDGET	17
A. Special Districts and Debt Service	17
1. County Library District	17

2. Regional Flood Control District.....	18
3. Debt Service Fund.....	19
4. Overall Pima County Debt	20
B. General Fund Pay-As-You-Go Capital Improvement Funding (PAYGO).....	21
C. Pavement Preservation and Repair Funding	23
D. Annual Capital Projects Fund Budget and Capital Improvement Plan Budget	23
1. Capital Projects Fund Budget	24
2. Regional Wastewater Reclamation Capital Budget	25
3. Information Technology – Internal Service Fund Capital Budget	25
4. Fleet Services Capital Budget	26
VII. COMBINED TOTAL COUNTY BUDGET.....	26
A. Combined County Property Tax Rate and Levy	26
B. Combined County Budget	29

I. OVERVIEW OF RECOMMENDED BUDGET

The Recommended Budget for FY 2024/25 emphasizes the critical importance of cost discipline. As the economy faces challenges, as noted in the latest [Economic Decision Guide Update](#), we must remain focused and proactive in navigating these uncertain times. A cost-disciplined approach was taken to manage expenses, optimize resource allocation, and prioritize investments to develop the Recommended Budget. The recommended FY 2024/25 expenditure budget is \$1,726,493,259. This amount represents a reduction of \$33,999,084 or 1.9 percent compared to the FY 2023/24 adopted budget.

In order to optimize the use of County funds and promote transparency throughout the budget process, all departments were provided with a base budget equivalent to the current fiscal year's budget cycle. Requests surpassing this base budget had to be submitted as supplemental requests. These requests were evaluated by prioritizing areas with the greatest need, investing in new programs or initiatives, and augmenting funding for existing programs. Departments collectively submitted over \$81 million in additional funding requests, with nearly \$68.2 million incorporated into the Recommended Budget, including \$12.6 million in the General Fund.

As we wind down from the heightened Federal funding of COVID-related programs and other grant funding, the Recommended Budget for FY 2024/25 includes a reduction in grant expenditures. The remaining funds allocated for these programs are reflected within the respective departmental budgets under the Grants Special Revenue Fund. Furthermore, \$60 million has been allocated to the Finance Grants Contingency Fund to accommodate potential new grant opportunities or emergency grants. Additionally, the Other Special Revenue Fund has allocated \$40 million in contingency spending authority to address unforeseen events.

As with previous budgets, the County anticipates increased State cost shifts as the State continues transferring additional costs to counties. As previously noted, the State budget for FY 2024/25 has not been adopted by the Governor and the State Legislature. This year, the State is under increased financial strain. The Joint Legislative Budget Committee (JLBC), as reported by the County Supervisors Association, anticipates a 3.4 percent decline in Base Revenue Growth and has revised its 2025 projections from a 3.0 percent increase to a 2.6 percent increase. The JLBC Financial Advisory Committee's October 2023 report initially indicated an \$850 million shortfall. However, their April update suggests a \$1.8 billion shortfall from FY 2023/24 to FY 2026/27 for the State. The final State budget could potentially impact the County's budget and may result in changes to the recommendations outlined in this memorandum.

Like many other organizations in the region, this budget year, it is imperative for the County to acknowledge and address the economic headwinds currently impacting our financial landscape. In FY 2023/24, the County encountered economic pressures from staffing levels, inflation, and rising interest rates. In response, the County implemented the Classification and Compensation study, allocating \$19 million to General Fund departments. A \$5 million budget contingency was also earmarked to aid departments experiencing inflationary impacts. These proactive measures ensured preparedness for potential challenges, offering

departments relief from these headwinds. The [Economic Decision Guide Update](#), initially developed in 2022, continues to serve as a valuable resource for navigating the County through the current economic uncertainty and volatility.

Recognizing these challenges is pivotal in formulating a budget that maneuvers through uncertainties and establishes a resilient framework for stability. Within the FY 2024/25 Recommended Budget, over \$6 million in supplemental requests have been incorporated to offset inflation-related cost increases. In addition, \$690 thousand has been set aside within the County's contingency fund to address any unexpected cost increases realized through departmental operations. Continuing our commitment to being an employer of choice, the County has allocated \$1 million for General Fund departments to implement Phase 3 of the Classification and Compensation study as we aspire for a process aimed at fostering employment growth, upskilling initiatives, and addressing workforce challenges.

As stated above, careful deliberation and strategic allocation of resources are critical to addressing the economic headwinds impacting the County's financial landscape and ensuring fiscal sustainability. [BOS Policy D 22.14 General Fund - Fund Balance](#) provides a sufficient fund balance reserve to safeguard against extreme unforeseen financial emergencies. The policy establishes a target level for the unrestricted fund balance within the General Fund, set at 17 percent of the previous year's audited operating expenditures. The target amount for FY 2024/25 is approximately \$98 million and has been included in the Recommended Budget as part of the County's commitment to maintaining a sound financial position.

BUDGET RECOMMENDATIONS

FY 2024/25 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2023/24 is \$125,335,198. This amount represents the beginning fund balance for FY 2024/25 as stated in my [Financial Forecast – February 2024](#) memorandum dated April 12, 2024.
- It is recommended that the FY 2023/24 ending fund balance be allocated to the following purposes:

Uses of the June 30, 2024, General Fund Ending Balance	
Available FY 2023/24 General Fund Ending Balance	\$125,335,198
General Fund – Fund Balance Reserve - BOS Policy D 22.14	97,945,766
Potential State Cost Shifts	10,961,791
General Fund Departmental Increases	9,594,666
Departmental Increases for Presidential Election	5,142,298
Contingency for Classification and Compensation Phase 3	1,000,000
General Contingency	690,677
Total	\$ -

- The FY 2024/25 Recommended Budget incorporates BOS policies D 22.12, D 22.13, and D 22.14, resulting in a General Fund primary property tax rate of \$4.0990 per \$100

of net assessed value. General Fund revenues and transfers-in are projected to be \$774,277,496, representing an increase of \$53,883,959 or 7.48 percent from the current year.

- General Government Revenues from all sources, excluding primary property taxes, are projected to increase by \$7,037,276, primarily due to an increase in State Shared Sales Tax and Vehicle License Tax revenues.
- The net primary property tax base is projected to increase by 5.71 percent, marking the tenth consecutive year of growth after the County's primary net assessed value decreased by 15.9 percent from FY 2010/11 to FY 2014/15 following the Great Recession. The property tax base is projected to increase modestly over the next few years.
- General Fund primary property tax revenues from all sources are projected to increase by \$34,474,110 at the recommended tax rate. Primary property tax revenues differ from the tax levy due to the impact of actual property tax collection rates, delinquent property taxes collected, and associated penalties and interest on delinquent property taxes.
- The General Fund expenditures and transfers-out for the FY 2024/25 Recommended Budget amount to \$899,612,694, representing a \$19,770,190 or 2.25 percent increase from the current year's adopted budget.
- Existing State budget cost shifts for FY 2024/25 have an annual budget impact of \$121,289,341, accounting for 26.8 percent of the recommended General Fund primary property tax rate of \$4.0990.
- As per BOS Policy D 22.14, the recommended General Fund Budget Reserve totals \$97,945,766, equivalent to 17 percent of the previous year's General Fund audited operating expenditures.
- The FY 2024/25 Recommended Budget for the Library District, including operating costs, grants, and operating transfers-out, is set at \$62,203,868, representing an increase of \$5,531,278 from the current year. Due to the application of BOS policy D 22.13, the secondary property tax rate is proposed to increase from \$0.5493 in FY 2023/24 to \$0.5537 per \$100 of net assessed value.
- The FY 2024/25 Recommended Budget for the Debt Service fund is \$103,851,301, a \$815,980 increase from the current year. The Recommended Budget proposes reducing the secondary property tax rate from \$0.2200 in FY 2023/24 to \$0.1250 per \$100 of net assessed value, resulting in a \$0.0950 decrease in the tax rate.
- The FY 2024/25 Recommended Budget for the Regional Flood Control District, including operating costs, grants, and operating transfers-out, is set at \$37,144,552, representing a decrease of \$1,506,605 from the current year, which includes an increase of \$2,212,254 in the secondary property tax levy. The secondary property tax rate for

Regional Flood Control would increase from \$0.3253 in FY 2023/24 to \$0.3271 per \$100 of net assessed value.

- The recommended combined primary and secondary County property tax rate (excluding the Fire District Assistance Tax) is proposed to be \$5.1048 per \$100 of net assessed value, remaining neutral with the FY 2023/24, making the proposed tax rate the second lowest of the past 11 years. This results in a combined County levy (excluding the Fire District Assistance Tax) of \$571,228,629, representing an increase of \$31,050,748 from the current year. Below is the historical combined Pima County property tax rate for the last five years (excluding the Fire District Assistance Tax) as well as the recommended combined County Property tax rate for FY 2024/25:

○ FY 2019/20	\$5.5584	○ FY 2022/23	\$5.0652
○ FY 2020/21	\$5.3108	○ FY 2023/24	\$5.1048
○ FY 2021/22	\$5.1952	○ FY 2024/25	\$5.1048

- During this budget cycle, departments submitted over \$81 million in supplemental funding requests. Of those requests, almost \$68.2 million are included in the Recommended Budget, with \$12.6 million coming from the General Fund.
- The combined total recommended County expenditure budget for FY 2024/25 amounts to \$1,726,493,259, reflecting a decrease of \$33,999,084, or 1.93 percent, compared to the current year's Adopted Budget.

II. AREAS OF FOCUS

This section provides a summary of the major issues that have a significant impact on Pima County's FY 2024/25 Recommended Budget. More detailed information can be found in various memoranda available on the County Budget website under the County Administrator Memoranda FY 2024/25 page.

A. Effectively Manage Core Functions and Provide Excellent Service to Pima County Residents

Maintaining financial stability is crucial in the face of uncertain economic conditions. The FY 2024/25 Recommended Budget incorporates several Board of Supervisors (BOS) policies to ensure financial stability, including:

- [BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program](#) supports the transition from voter-authorized general obligation bond funding of capital improvement projects to a pay-as-you-go (PAYGO) program as part of the General Fund. This policy will increase the tax rate by \$0.0023 and, when combined with the increase in net assessed value, is expected to generate \$24.9 million in additional property tax revenues.

- [BOS Policy – D 22.13 General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers](#) evaluates and discloses the annual primary or secondary property tax levy for funding increased expenditures due to the State Legislature Cost Shifts. The FY 2024/25 Recommended Budget includes an increase in costs shifted to the County by the State of \$3.9 million, which equates to an increase in the total property tax rate of \$0.0316 and a total property tax revenue increase of \$28.1 million when combined with the PAYGO policy.
- [BOS Policy D 22.14 General Fund - Fund Balance](#) establishes a target level for the unrestricted fund balance within the General Fund of 17 percent of the previous year's General Fund audited operating expenditures. By maintaining an adequate unrestricted fund balance, the County can safeguard its favorable credit rating, ensure a stable tax rate to offset economic downturns, and have contingency funds available for emergency expenditures. This policy has been incorporated into the FY 2024/25 Recommended Budget, with a reserve of \$97,945,766 allocated to the Contingency Fund.

Since FY 2023/24, the County issues an Economic Decision Guide every quarter, providing a framework for monitoring and mitigating economic challenges. As part of the FY 2024/25 Recommended Budget, the County has taken proactive and strategic measures, including cost discipline expenditure reductions requiring General Fund Departments and Elected Officials to minimize costs by 2 percent of their total budget, resulting in cost savings of \$11.5 million, and identifying areas where we can optimize resource reallocation of American Rescue Plan Act funding totaling \$10.2 million. Implementing these strategies better positions the County to weather financial uncertainties and sustain financial resilience.

B. Prioritize Critical Infrastructure and Economic Growth

The FY 2024/25 Recommended Budget continues the County's investment in maintaining critical infrastructure and expanding affordable housing and open space, which is essential for providing necessary services and benefits to our community. The County relies on critical infrastructure required for daily operations to provide essential services while acquiring and maintaining open space, providing various environmental, social, and economic advantages. The FY 2024/25 Recommended Budget for the General Fund includes investments of \$5 million for affordable housing, \$2 million for open space acquisitions, and continued application of BOS Policy D 22.12 - PAYGO to fund various types of infrastructure. In addition, the FY 2024/25 recommended Capital Improvement Plan totals \$208,397,996, with significant investments in critical County infrastructure across a number of departments including the Department of Transportation. An allocation by department is shown in Table 7 of this memorandum and a comprehensive list of

projects is available in the Capital Projects section of this Recommended Budget Book.

C. Improve the Quality of Life for Pima County Residents

The FY 2024/25 Recommended Budget continues the allocation of resources to enhance the quality of life for County residents. These resources provide access to healthcare, education, and improvements to services within the justice system. Investing in these initiatives enhances the community's overall health, well-being, and prosperity. The FY 2024/25 Recommended Budget includes continued funding for the Pima Early Education Program Scholarships (PEEPs), \$3.2 million in the Emergency Eviction Legal Services (EELS) program, \$5 million for comprehensive physical and mental health services to the populations of the Pima County Adult Detention Center (PCADC) and the Pima County Juvenile Detention Center (PCJDC), and \$3 million in opioid settlement funds for the Health Department program established to address substance abuse and behavioral health needs. Prioritizing the quality of life for county residents continues to be a guiding principle in our budget decisions.

D. Allocating State Cost Shifts

Over the years, we have observed a trend in which the State has increasingly shifted financial responsibilities onto the County. This practice significantly impacts the County's ability to use collected property tax revenues to maintain the necessary funding for County services. Since FY 2014/15, the County has incurred additional costs from the State totaling \$30.9 million. The majority of these increases have occurred in the past two fiscal years, FY 2022/23 and FY 2023/24.

During the creation of the Recommended Budget for FY 2022/23, it was proposed in the February 15, 2022, State Cost Shift Increases and the Need to Adjust Property Tax Rates for the Fiscal Year 2022/23 Recommended Budget [memorandum](#) that the property tax rate increase by 5.54 cents to cover the \$5.6 million of costs shifted to the County from the State. The Board did not approve this proposed increase to the tax rates as part of the adopted FY2022/23 Budget.

During the creation of the Recommended Budget for FY 2023/24, it was recommended in the March 20, 2023 Recommended Budget Framework [memorandum](#), to increase the tax rates to cover the increase in State Cost Shifts of \$15.9 million. The Board subsequently approved this recommendation as part of the budget adoption.

The FY 2024/25 Recommended Budget adheres to BOS Policy D 22.13 and proposes to pass on the increased costs shifted to the County of \$3.9 million by increasing the tax rate by 3.55 cents. As seen in Table 1 below, the two main line items driving the increases are the Arizona Long Term Care System and the change in the Class 1 assessment ratios.

Description	FY 2021/ 22	FY 2022/ 23	FY 2023/ 24	FY 2024/ 25 Proposed
Arizona Long Term Care System	\$ 44,073,400	\$ 54,350,500	\$ 56,396,600	\$ 62,975,600
Superior/Juvenile Court – Salaries and Benefits	19,650,085	21,715,002	21,052,306	21,849,323
Arizona Health Care Cost Containment System	16,670,600	16,766,300	16,920,700	17,024,100
Class 1 (commercial property) assessment ratio from 18.0% to 1	-	3,887,303	8,034,147	11,648,405
Behavioral Health System-State Contribution	3,064,936	3,046,936	3,064,932	3,064,936
Justice Courts - JP Salaries and Benefits	1,794,747	2,009,042	1,958,304	1,825,689
State Juvenile Detention Shift	1,726,800	1,726,000	-	-
Restoration to Competency	979,699	1,306,973	1,329,426	1,094,665
Constables Salaries and Benefits	1,124,712	1,066,937	1,020,736	1,129,870
Superintendent of Schools Accommodation District	591,446	391,610	340,375	466,729
Arizona Department of Revenue Operating Cost Shift	780,558	159,108	192,825	210,023
Total	\$ 90,456,983	\$ 106,425,711	\$ 110,310,351	\$ 121,289,341

The shifting of the State of Arizona's budgeted costs to Pima County continues to adversely impact the County's programs and services. The expected FY 2024/25 State cost shifts amount to \$121.2 million, equivalent to 26.7 percent of the suggested General Fund primary property tax rate. These additional costs would be recovered through a property tax rate increase in the FY 2025/26 Budget cycle, per BOS Policy D22.13.

E. Being an Employer of Choice

In today's competitive labor market, attracting and retaining top talent is crucial for the success of our operations. The County has made significant investments in its workforce with the recent implementation of the Classification and Compensation study in FY 2023/24. Offering competitive compensation packages and comprehensive benefits ensures that the County remains an attractive place to work and build a career. The FY 2024/25 Recommended Budget continues these investments, including \$1 million for implementing Classification and Compensation Phase 3. These investments will continue our efforts to make the County an employer of choice, helping us achieve our organizational goals and serving our community effectively.

F. Providing Employee Benefits

This year, the budgeted benefits will increase from an Adopted Budget amount for FY 2023/24 of \$167.2 million to \$188.2 million for FY 2024/25, an increase of approximately \$21.0 million. The most significant benefit cost increase occurred in the employer's share of health insurance premiums, which increased by \$12.1 million. The County continues to experience higher claims expenses than in prior years. Medical and pharmaceutical rates are rising nationally, with the current trend at 8.5 percent annually. To cover this cost increase and maintain a sufficient balance in the Pima County Health Care Benefits Trust fund, the BOS approved increasing rates for both the employee and the County on December 5, 2023. Please refer to the December 5, 2023, Medical and Dental Insurance for County Employees – Fiscal Year 2024/25 [memorandum](#) for additional information.

In addition to the increased medical costs, there are also cost increases to employer contributions to most of our retirement plans. Six (6) retirement plans cover almost all of our employees. Each plan has multiple tiers based on the year an employee entered the retirement system. The table below shows the percentage Pima County contributes for each covered employee in the various retirement plans and the change from the prior year.

Table 2: Retirement Contribution Rates			
Retirement Plan	FY 2023/24	FY 2024/25	% Increase
Arizona Retirement System	12.29%	12.27%	-0.02%
Public Safety Retirement System*	30.63%	35.02%	4.39%
Corrections Officers Retirement System*	10.57%	14.28%	3.71%
County Attorney Investigator Retirement*	79.13%	59.90%	-19.23%
Elected Official Retirement System	76.51%	70.44%	-6.07%
Admin Office of the Court Retirement System*	41.94%	42.39%	0.45%

* Each of these plans has multiple tiers and rates. The listed rate is for our newest employees.

G. Managing County Staffing

The overall County workforce has decreased by 1,273 Full-Time Equivalents (FTEs), or 15.2 percent, from its peak staffing in FY 2007/08 when budgeted FTEs totaled 8,396. For FY 2024/25, the total budgeted FTEs increased by 23 from FY 2023/24.

As part of the FY 2024/25 Recommended Budget, several departments were part of reorganization intended to optimize our resources and improve operational efficiencies. The details of these reorganizations are listed below:

- A transfer of 65 existing FTEs to a newly created Conservation Lands & Resources department by centralizing resources from the Natural Resources component of the Natural Resources, Parks & Recreation department, and the majority of the former Office of Sustainability & Conservation department.
- A transfer of 25 existing FTEs by consolidating the former Analytics and Data Governance department into the Information Technology department, which results in a decrease of 1 FTE by eliminating a Department Director position.

Outside of these reorganizations, there is a notable increase of 27.7 FTEs within the Sheriff's Department as it aims to sustain its recent success in recruiting new staff and maintaining a low vacancy rate. There were minor changes in other departments that account for a reduction of 4.7 FTEs from the increase in the Sheriff's Department, to arrive at a total increase of 23 budgeted FTEs as shown below.

Table 3: Total Budgeted FTE Positions, FY 2018/19			
Adopted Budget through FY 2024/25 Recommended Budget			
Fiscal Year	Budgeted FTEs	Change in Budgeted FTEs	Cumulative Change in Budgeted FTEs
2018/19	7,129		
2019/20	7,112	(17)	(17)
2020/21	6,840	(272)	(289)
2021/22	6,995	155	(134)
2022/23	7,219	224	90
2023/24	7,100	(118)	(28)
2024/25	7,123	23	(5)

III. GENERAL FUND ENDING FUND BALANCE FOR FY 2023/24

The recommended General Fund ending balance for FY 2023/24 is projected to be \$125,355,198, resulting from decreased expenses and higher-than-anticipated general government revenues. This amount represents an increase of \$32,261,980 over the FY 2023/24 budgeted General Fund Reserve of \$93,073,218, equivalent to 17 percent of the FY 2021/22 General Fund audited operating expenditures, in accordance with BOS Policy D 22.14. The ending fund balance will be the FY 2024/25 Beginning Fund Balance.

To review the recommended uses of the projected June 30, 2024, General Fund ending balance, please refer to the Budget Recommendations section within this memorandum's Overview of Recommended Budget section. This available balance will be allocated towards the General Fund Reserve, one-time allocations, and departmental budget increases as recommended.

IV. GENERAL FUND SUBMITTED BASE BUDGET FOR FY 2024/25

A. General Fund Base Budget Revenues

The FY 2024/25 Recommended Budget Framework and General Fund revenues are impacted by several existing BOS policies, including:

- [BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program](#)
- [BOS Policy D 22.13 - General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers](#)
- [BOS Policy D 22.14 - General Fund - Fund Balance](#)

Applying these policies increases the recommended primary property tax rate by \$0.0888 from \$4.0102 in FY 2023/24 to \$4.0990 for FY 2024/25 per \$100 of taxable net assessed value.

Below is a brief discussion of each projected General Fund base revenue category.

1. General Government Revenues Other Than Property Taxes

The projected base budget for FY 2024/25 anticipates General Government revenues, excluding primary property taxes, to be \$292,710,532, representing a 2.46 percent increase of \$7,037,276 compared to the current year's Adopted Budget.

The primary source of revenue in this category is the State Shared Sales Tax, which is expected to increase by \$2 million, or 1.11 percent, to \$182 million. Additionally, Vehicle License Tax is increasing by \$1.8 million, or 5.14 percent, to \$36.8 million. These projections are based on taxable sales by the University of Arizona Economic and Business Research Center and the Arizona Joint Legislative Budget Committee. While we are experiencing a slight increase in revenue, it is essential to recognize that economic uncertainties persist, and an economic downturn may negatively impact these revenue collections.

2. Primary Property Tax Revenues

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

In 2012, Arizona voters approved a Constitutional amendment that substantially limits future overall appreciation of the existing property tax base. The amendment enforces a five percent ceiling on the rise of taxable net assessed value from one year to the next, whereas previously, the increase in taxable net assessed value was determined by the market.

b. Primary Property Tax Revenues

For FY 2024/25, the taxable net assessed value amounts to \$11.25 billion, indicating a net gain of \$607.6 million or 5.71 percent from the current year. This increase marks the tenth consecutive year of growth in taxable net assessed value. The market value of existing property is expected to rise by approximately 4.22 percent in FY 2024/25, while new construction will add about 1.43 percent to the property tax base.

To continue the PAYGO program for road repair and other capital projects, cover state cost transfers to the County, and maintain the targeted unrestricted General Fund balance, it is recommended that the County's General Fund

primary property tax rate be raised to \$4.0990 for every \$100 of taxable net assessed value. This rate will produce a General Fund primary levy of \$461.3 million, representing a \$34.4 million or 8.05 percent increase from the amount levied in the Adopted Budget of the FY 2023/24 year.

In addition to collecting current-year property taxes, the County also receives revenues from the payment of delinquent property taxes from prior years, along with associated interest and penalties. Combined with the projected primary property tax collection for the next fiscal year, the total base General Fund property tax revenues expected for FY 2024/25 is \$464.1 million. This amount represents \$34.5 million or 8.02 percent more than the total General Fund primary property tax revenue approved in the FY 2023/24 Adopted Budget. The difference between the levy amount and the revenue collected is due to additional revenue generated from delinquent taxes, penalties, and interest from previous years, partially offset by accounting for a current year collection rate of less than 100 percent for this year's primary levy.

The State Truth in Taxation statute determines the County's neutral primary property tax levy and the corresponding tax rate each year. The neutral levy and tax rate are defined as the previous year's levy plus the additions to the tax base from new construction. As per the statute, the County's neutral primary tax rate for FY 2024/25 is \$3.8480 for every \$100 of taxable net assessed value, which is \$0.2510 less than the recommended General Fund primary tax rate of \$4.0990, resulting in a difference of \$28.2 million or 6.52 percent in levy amount. If the Board approves the recommended primary tax rate, the County is required to hold a Truth in Taxation hearing before finalizing the budget adoption. This year will be the sixth consecutive year such a hearing will be held.

The benchmark set by the State Truth in Taxation statute is more stringent than the County's Maximum Allowable Primary Levy Limit, which is linked to a moderate annual inflation rate of two percent as stipulated in the Arizona Constitution. As per the Maximum Allowable Primary Levy Limit, the County can increase its primary rate to \$4.7175, which is \$0.6185 higher than the recommended General Fund rate. Consequently, the constitution-imposed levy limit is \$530.9 million, surpassing the recommended primary property tax rate by \$69.6 million or 13.1 percent.

3. Departmental Revenues

For FY 2024/25, expected department base budget changes in General Fund revenues are projected to total \$31.9 million, representing a net increase of \$1.5 million from the current year's budget. The most notable increase in base General Fund departmental revenues is in Clerk of the Superior Court, which increased by \$1.1 million to reflect a budget more aligned with the actual revenue received in prior years.

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

The General Fund-supported base budgets for expenditures and transfers-out require a total funding of \$806,152,786 in FY 2024/25. This amount is calculated by adjusting the FY 2023/24 adopted departmental budgets for increased benefit costs, internal service fund and administrative overhead charges, grants match, impacts to base costs as per Board adopted budget policies and prior Board directives, and decreases in base one-time expenditures for the current year. Further details on specific base expenditure adjustments can be found in the individual department analyses that will be transmitted following this memorandum.

V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES

A. Fiscal Strength and Stability

As mentioned in the "Areas of Focus" section, the FY 2024/25 Recommended Budget prioritizes financial stability in light of current economic uncertainty. As outlined in Table 4, the recommended adjustments to the General Fund base budget below illustrate the proactive measures being taken to attain this objective.

- A General Fund Budget Reserve of \$97,945,766 representing 17 percent of the previous year's General Fund audited operating expenditures, as set by BOS Policy D 22.14. This reserve ensures that the County maintains an adequate fund balance to secure and maintain its credit ratings and provides one-time funds for unforeseen emergency expenditures.
- Cost discipline expenditure reductions of 2 percent for General Fund departments and Elected Officials, resulting in savings of \$11.5 million.
- Reallocation of \$10.2 million of American Rescue Plan Act funding to optimize the strategic spend down of the Coronavirus State & Local Fiscal Recovery funds.

B. Employer of Choice

The FY 2024/25 Recommended Budget includes \$1 million to implement the Classification and Compensation Study Phase 3. This investment underscores the County's commitment to maintaining the County as an attractive workplace conducive to career development.

C. Supplemental Increases

To promote transparency in the budget process and ensure the effective allocation of limited General Fund resources, any budget request exceeding the amount budgeted

for FY 2023/24 must be submitted through a supplemental request. This mandate excludes increases in administrative overhead, internal service fund charges, and benefit increases. Accordingly, the FY 2024/25 Recommended Budget includes \$12,659,823 in General Fund supplemental requests to allocate resources to areas with the most urgent need. For a comprehensive list of the recommended supplemental requests, please see Section 11 of the Recommended Budget.

Table 4: Recommended Adjustments to FY 2024/25 Submitted Base Expenditures and Operating Transfers-out	
Proposed FY 2024/25 Base Expenditures and Operating Transfers-out	\$806,152,786
General Fund Budget Reserve	97,945,766
Supplemental Increases	12,659,823
Class and Compensation Phase 3 Implementation	1,000,000
General Contingency	690,677
American Rescue Plan Act Reallocation	(7,038,134)
2 Percent Base Budget Reductions General Fund Departments and Elected Officials	(11,498,224)
Outside Agency Reduction	(300,000)
Total FY 2024/25 Recommended Expenditures and Operating Transfers-out	\$899,612,694

The Recommended General Fund budget totals \$899,612,694, which includes \$775,279,759 in expenditures and \$124,332,935 in operating transfers-out to other County departments and funds.

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 provides services to the entire County. The FY 2024/25 budget for the Library includes the operation of 26 branches, a Main Library, a nonprofit support center, a bookmobile, and a range of online services. These online services include a dynamic web portal, "Ask a Librarian," Infoline, online homework assistance, employment and career resources, full-text magazines, journal articles, downloadable e-books, audiobooks, videos, and music.

The Library's collection comprises 1.2 million cataloged items expected to be borrowed 7 million times within a year. Additionally, it provides 1,200 computers that generate 1.5 million computer sessions used by the public.

The County Library District property tax base has increased for the ninth consecutive year, with a projected increase of 5.71 percent in FY 2024/25

due to the increase in the net assessed values.

The FY 2024/25 Recommended Budget for operating costs, grants, and operating transfers-out is \$62,203,868. The budget will cover increased operating expenses, including salaries and benefits, other internal service charges, and maintenance costs.

For the fifth consecutive budget year, \$0.0400 of the Library tax rate is dedicated to Library Pay-As-You-Go Capital Improvement. Five PAYGO Library Capital Improvement Projects are scheduled for FY 2024/25, along with ongoing upgrades to library interiors, exteriors, parking lots, and electric vehicle charging stations. The Library's capital improvement projects include expanding and renovating the Richard Elias - Mission Library and the Himmel Library. Furthermore, improvements to the library network and community broadband access are included in the plan.

In FY 2021/22, the County initiated the Pima Early Education Program (PEEPs) with the aim of increasing the enrollment of income-eligible 3 to 5 year old children in evidence-based high-quality preschools. The program is currently funded by the American Rescue Plan Act through FY 2024/25.

The Library District's secondary property tax rate for FY 2024/25 is recommended to be set at \$0.5537 per \$100 of taxable net assessed value, representing a \$0.0044 increase from the previous year. This increase is due to the application of BOS Policy D 22.13 – State Cost Shifts, specifically the continued revenue reductions related to the Class 1 assessment ratio. This proposed tax rate is expected to generate \$61,950,684 in revenue and an additional projected \$5,095,788 from fines, interest, grants, and other miscellaneous sources.

2. Regional Flood Control District

The Regional Flood Control District (RFCD) property tax base is projected to increase for the ninth consecutive year, with a 6.48 percent rise in taxable net assessed value expected for FY 2024/25.

In addition, the recommended RFCD budget for the upcoming fiscal year includes operating transfers-out of \$18,941,872, which marks a decrease of \$2,097,232 compared to the current year. These transfers include the following:

- \$16,000,000 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program
- \$1,508,604 transfer of grant funding to the Capital Projects Fund for the CDO Levee Augmentation and El Vado Wash Stormwater Drainage projects
- \$800,000 transfer to the Capital Projects Fund to fund the Altar/Brawley Erosion Protection Project and the Riparian Mitigation Project Acquisition Fund

- \$189,602 transfer to the Stadium District for operating and maintenance costs of the Kino Environmental Restoration Project
- \$238,732 transfer to Grants for matching funds requirements
- \$124,934 transfer to the Debt Service Fund for the ERP system replacement
- \$80,000 in funding for the County's Native Plant Nursery

The Regional Flood Control District's FY 2024/25 secondary property tax rate is recommended to be \$0.3271 per \$100 of taxable net assessed value, representing a \$0.0018 increase from the previous year. This increase is due to the application of BOS Policy D 22.13 – State Costs Shifts, specifically the continued revenue reductions related to the Class 1 assessment ratio.

3. Debt Service Fund

The FY 2024/25 Recommended Budget for the Debt Service Fund totals \$103,851,301, reflecting an \$815,980 increase from the current fiscal year. This fund covers payments on the County's various debts, such as General Obligation, Street and Highway Revenue Bonds, Certificates of Participation, and Pledged Revenue Obligation. Most of these debts are relatively short-term and must be repaid within fifteen years.

a. General Obligation Debt Service

The County's General Obligation Debt Service is funded by a secondary property tax levy. Since the inception of the 1997 Bond Program, the debt service for new bond sales backed by the secondary tax levy has been balanced by ongoing reductions in debt service for outstanding bonds. The retirement of the 1997 bonds led to the issuance of new debt for 2004, 2006, and 2014 bonds. The final General Obligation Bond Authorization was issued in FY 2016/17. All General Obligation debt is expected to be paid in full by FY 2028/29.

The recommended FY 2024/25 tax rate is \$0.1250 per \$100 of taxable net assessed value, a decrease of \$0.0950 from FY 2023/24. This reduction aligns with BOS Policy D 22.12 - General Fund Capital Improvement Fund Pay-As-You-Go Program. The recommended debt service budget of \$15,325,407 for FY 2024/25 is for the existing debt service.

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 repaid from the HURF revenues

the Transportation Department receives from the State of Arizona. The recommended debt service amount for Street and Highway Revenue Bonds in FY 2024/25 is \$8,249,157, representing a \$3,045,959 decrease from the current fiscal year.

c. Certificates of Participation Debt Service

The County's Certificates of Participation (COPs) debt service amount for FY 2024/25 is recommended to be \$52,755,870, an increase of \$8,640,663 compared to the previous year. This debt service includes the COPs issued in prior years for the construction or acquisition of various County facilities such as the Office of the Medical Examiner, the Public Service Center and Parking Garage, the Historic Courthouse, Kino South Sports Complex, the Defense Services Building, Valencia Road Bridge and the Transportation Road Repair and Pavement Preservation Program. It is important to note that the COPs debt service is not paid from the General Obligation debt service tax levy but from other available funds, such as the General Fund, PAYGO, Parking Garage and Stadium proceeds, Impact Fees, etc.

d. Pledged Revenue Obligation Debt Service

The Pledged Revenue Obligation debt service amount for FY 2024/25 is \$27,520,867, representing an increase of \$1,561,477 from the previous fiscal year. This debt was issued in FY 2020/21 as a one-time measure to address unfunded pension liabilities associated with the Public Safety and Correction Officer Retirement Plans. The repayment of this debt is sourced from a portion of the State Shared Sales Taxes, County Excise Revenues, Payments in Lieu of Property Taxes, and the General Fund portion of the State Vehicle License Tax.

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, 2024, the outstanding sewer debt will be \$343,840,000. Sewer infrastructure debt accounts for about 50 percent of all County Capital Improvement Program debt.

4. Overall Pima County Debt

Pima County utilizes several types of debt, such as General Obligation, Street and Highway, Certificates of Participation, and Sewer Revenue Obligations, to finance its Capital Improvement Program. The County's debt is not a traditional long-term debt, but a relatively short-term debt limited to 15-year repayment schedules.

In FY 2012/13, Pima County's debt for capital projects peaked at \$1.35 billion from all sources. However, because the County limits this type of debt to 15-year repayment schedules, the current Capital Improvement Program debt is expected to decrease to approximately \$683.9 million by the end of FY 2023/24. By the end of FY 2024/25, the projected total debt for the Capital Improvement Program is expected to be \$651.8 million. This amount includes \$40 million in Certificates of Participation for projects such as the new San Xavier Substation and Superior Court Tenant Improvements and \$54 million in Sewer Revenue Obligations for Regional Wastewater Reclamation projects.

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

The current budget allocates \$51,748,242 for the PAYGO Program as mandated by BOS Policy D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program. Out of this, \$26,748,242 is designated for capital improvement projects. The remaining amount is for the repayment of the \$150 million advanced for pavement preservation in \$50 million increments over FY 2020/21, FY 2021/22, and FY 2022/23. The FY 2024/25 PAYGO allocation was determined by utilizing sixty percent of the decrease in the current secondary tax rate and sixty percent of the increase in the tax base, with the remaining unobligated tax value reducing the combined tax rate. The PAYGO Program's objective is to repair roads within ten years ending in FY 2029/30, provide funding for General Fund capital improvement projects and initiatives subject to Board approval, reduce debt interest expense, and lower the combined County property tax rate. The program depends on rapidly paying off the general obligation bond debt in the next few years, reducing the demand for the secondary tax rate.

The PAYGO General Fund Capital Improvement Fund aims to fund the capital program at a zero-dollar level for debt service payment once all General Obligation Bond Debt has been fully retired. However, to adhere to the constitutionally imposed expenditure limit, the County will still use short-term debt instruments for annual capital financing. The County will continue to issue longer-term Certificates of Participation for large-scale capital projects like the new San Xavier Substation, the Office of the Medical Examiner Building, and the ERP System Replacement. Table 5 displays the FY 2024/25 secondary property tax levy for debt service and the PAYGO calculation.

Table 5: FY 2024/25 General Fund Pay-As-You-Go Primary Tax Levy	
Debt Service ^[1] Secondary Tax Collection Rate	0.1250
Secondary Tax Levy Decrease ^[2]	0.0950
60% of Decrease ^[3]	0.0570
Primary PAYGO Levy from Cumulative Debt Service Rate Reductions	\$38,152,793
Primary PAYGO Levy from 60% of FY 2024/25 NAV Increase	13,595,449
Total Available for PAYGO ^[4]	\$51,748,242

- [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. The remaining forty percent will be used to reduce the overall County tax rate.
- [4] FY 2024/25 amount available in the PAYGO fund.

Transportation's Road Repair and Pavement Preservation program received \$150 million, which is being repaid by the Transportation allocation from the General Fund PAYGO program. The total amount allocated for payment preservation from PAYGO was not increased; it was only accelerated.

General Fund PAYGO projects budgeted within the Capital Projects Fund include \$26,748,242 in proposed PAYGO funds. Projects considered for using 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 6. Projects selected to use PAYGO funding met one or more major benefit areas. These funds have been applied to projects within Community & Workforce Development, Conservation Lands & Resources, Facilities Management, Parks and Recreation, the Sheriff's Department, and the Stadium District. Projects selected were fully funded with this year's PAYGO allocation, even if planned over multiple years.

The list of proposed projects to be funded with PAYGO funds includes:

- Community & Workforce Development – Affordable housing
- Conservation Lands & Resources – Open space land acquisitions & maintenance
- Facilities Management – Deferred maintenance, equipment upgrades, and stairwell renovations
- Facilities Management – Energy-efficient HVAC replacements
- Parks & Recreation – Deferred maintenance at various parks and facilities
- Parks & Recreation – Reclaimed water conversion at Arthur Pack Park
- Sheriff's Department – Main jail facility assessment and roof replacement
- Stadium District – I-10 underpass at Kino

Table 6: 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

Currently, the target for the PAYGO program in future years is to generate \$50 million per year of recurring revenues to pay for the County's capital improvement projects as the General Fund transfer to the road repair program is reduced with the scheduled FY 2029/30 completion of the 10-year road repair plan.

C. Pavement Preservation and Repair Funding

In FY 2024/25, the Transportation Department's Recommended Budget will allocate \$25 million in state-shared gas and vehicle license tax revenue funding for the Road Repair and Pavement Preservation Program. Combined with the investments made since PAYGO's inception in FY 2019/20, the total investment in pavement repair totals \$297.9 million.

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

As outlined in Table 7, the FY 2024/25 recommended Capital Improvement Plan totals \$208,397,996. This plan includes the Capital Projects Fund Budget of \$146,552,105, Capital Projects of Regional Wastewater Reclamation of \$55,879,789, Information Technology – Internal Service Fund of \$4,922,286, and Fleet Services of \$1,043,816. For a comprehensive list of projects within the Recommended Capital Improvement Plan, please refer to the Capital Projects section of this Recommended Budget Book.

Table 7: FY 2024/25 Recommended Capital Improvement Plan			
Capital Improvement Plan	FY 2023/24 Bond and Non-Bond Project Budgets	FY 2024/25 Bond and Non-Bond Project Budgets	Difference
Capital Projects Fund			
Facilities Management	\$ 76,478,711	\$ 62,024,990	\$ (14,453,721)
Flood Control District	20,994,598	22,803,470	1,808,872
Transportation	23,691,738	19,912,657	(3,779,081)
Analytics & Data Governance	12,421,500	10,078,500	(2,343,000)
Project Design & Construction	1,618,421	8,238,100	6,619,679
Stadium District - Kino Sports Complex	11,350,000	6,561,408	(4,788,592)
Conservation Lands & Resources	2,428,000	6,389,783	3,961,783
Sheriff	7,223,654	4,981,968	(2,241,686)
Parks & Recreation	11,817,173	3,547,229	(8,269,944)
Information Technology	2,164,000	1,514,000	(650,000)
Environmental Quality	1,500,000	500,000	(1,000,000)
Total Capital Projects Fund	\$ 171,687,795	\$ 146,552,105	\$ (25,135,690)
Wastewater Reclamation	54,537,518	55,879,789	1,342,271
Information Technology - Internal Service Fund	5,252,000	4,922,286	(329,714)
Fleet Services	1,074,717	1,043,816	(30,901)
Total Capital Improvement Plan	\$ 232,552,030	\$ 208,397,996	\$ (24,154,034)

1. Capital Projects Fund Budget

The recommended Capital Projects Fund Budget for FY 2024/25 totals \$146.6 million, a decrease of \$25.1 million or 14.6 percent from the current year's budget of \$171.7 million. The budgeted projects are funded by the Regional Flood Control District, State Revenue, Regional Transportation Authority Sales Taxes, Impact Fees, Grants, Certificates of Participation (COPs), Library District, and General Funds.

Facilities Management has budgeted \$62.0 million for 25 projects. Of this year's Recommended Budget, \$19.3 million is allocated for the continued construction of the Northwest Service Center and \$14.8 million to complete the Administration Building renovations at 130 W. Congress. A total of \$7 million is included for the expansion of the Richard Elias Mission and Himmel libraries, along with \$4.8 million

for Superior Court improvements and \$3.6 million for completion of the Office of the Medical Examiner building. The Northwest Service Center project is mostly financed through a grant from the American Rescue Plan Act, while COPs or department transfers finance the remaining projects.

The Department of Transportation has budgeted \$19.9 million for 19 projects. The projects include \$4.2 million for Houghton Road I-10 to Golf Links and \$3.3 million for Valencia Road Mission Road to Camino de la Tierra. The FY 2024/25 Department of Transportation Capital Program funding includes \$10.7 million in Impact Fees, \$7.8 million in Grants, and \$1.4 million from various other funding sources.

The Regional Flood Control District has budgeted \$22.8 million for 24 projects. The projects include \$3.6 million for the Santa Cruz River Pedestrian Bridge Project, \$3.3 million for the Santa Cruz Cortaro Narrows Training Structure, \$2.5 million for the Santa Cruz River Wildlife Ramp, \$2.0 million for Flood Prone Land Acquisitions, and \$2.0 million for Major Watercourse Infrastructure Projects. Except for Regional Wastewater funding for the Continental Ranch Loop Restoration and grant funds for the El Vado Storm Sewer and Bighorn Fire Flood Hazard Mitigation, these projects are primarily funded by District tax levy revenues.

2. Regional Wastewater Reclamation Capital Budget

The recommended capital budget for the Regional Wastewater Reclamation Department (RWRD) for FY 2024/25 totals \$55.9 million, a \$1.3 million increase from the current fiscal year. The capital program plan for FY 2024/25 will be funded using RWRD Sewer Revenue Obligations. Sewer conveyance system projects total \$19.7 million, with \$10.0 million for Minor Pipe Rehabilitation projects and \$3.5 million for the Canoa Ranch Sewer Extension. Sewer treatment facility projects total \$35.6 million, including \$21.3 million for the Class A Biosolids project and \$8.0 million for System-wide Treatment Rehabilitation.

3. Information Technology - Internal Service Fund Capital Budget

For FY 2024/25, the recommended capital budget for the Information Technology - Internal Service Fund totals \$4.9 million, a decrease of \$330,000 from the current fiscal year. The budget includes \$3.0 million for Server Storage, \$822,000 for a Network Refresh, and \$600,000 for the Recovery Tape Library for the Sheriff's Department. These projects will be funded through Information Technology - Internal Service Fund Operations.

4. Fleet Services Capital Budget

The FY 2024/25 recommended capital budget for Fleet Services totals \$1.0 million, a decrease of \$31,000 from FY 2023/24. The Recommended Budget includes the Ajo Fuel Island project, which will be funded through Fleet Operations.

VII. COMBINED TOTAL COUNTY BUDGET

A. Combined County Property Tax Rate and Levy

The County's Recommended Budget expenditures are funded by a combination of primary and secondary property taxes, which fund 33.2 percent of the total budget. These taxes are the only County revenues over which the Board has significant control. The majority of the County budget is funded through charges for services and intergovernmental revenues, particularly State revenue sharing and grants.

Based on the application of the aforementioned Board policies, the primary property tax rate for the General Fund is proposed to be raised to \$4.0990 per \$100 of taxable net assessed value. This increase will result in a primary tax levy that exceeds the neutral primary levy mandated by State Truth in Taxation laws. The neutral levy tax rate for FY 2024/25 is \$3.8480 per \$100 of taxable net assessed value. Therefore, a Truth in Taxation hearing will need to be scheduled and conducted alongside the Final Budget Adoption process.

The County controls three secondary property tax rates associated with the Library District, Regional Flood Control District (RFCD), and Debt Service. It is recommended that the Debt Service property tax rate decrease by \$0.0950 per \$100 of taxable net assessed value, the RFCD rate increase by \$0.0018 per \$100 of taxable net assessed value, and the Library District rate increase by \$0.0044 per \$100 of taxable net assessed value. These changes, combined with the increased taxable net assessed values, will result in a \$3.3 million reduction in secondary tax levies for FY 2024/25.

Similar to the County's primary property tax levy, the RFCD and Library District secondary property tax levies are subject to Truth in Taxation requirements. The effect on each district is outlined below:

For the Library District, the neutral secondary property tax rate for FY 2024/25 is \$0.5271 per \$100 of taxable net assessed value, while the recommended secondary property tax rate is \$0.5537 per \$100 of taxable net assessed value. If the Board approves the recommended rate, the Library District will need to issue a Truth in Taxation Notice and hold a public hearing on Truth in Taxation before final budget adoption, as required by statute.

For the RFCD, the neutral secondary property tax rate for FY 2024/25 is \$0.3092 per \$100 of taxable net assessed value, while the recommended rate is \$0.3271 per \$100 of taxable net assessed value. In accordance with the statute, if the Board

approves the proposed tax rate, the RFCD will have to issue a Truth in Taxation Notice and hold a public hearing before the final budget adoption.

Table 8 below illustrates the recommended changes in both the primary and secondary tax rates.

Table 8: Recommended Changes in Primary and Secondary Tax Rates							
Primary Property Tax Rate		Adopted FY 2023/24 Tax Rates	Pay Go Policy D 22.12	State Cost Shift Policy D 22.13	Total Change in Rates Per Policies	Proposed Adjustment	Proposed FY 2024/25 Rates
General Fund Primary	\$	3.6223	\$(0.0696)	\$ 0.0293	\$(0.0403)	\$ 0.0572	\$ 3.6392
Pay Go		0.3879	0.0719	-	0.0719		0.4598
Total General Fund		4.0102	0.0023	0.0293	0.0316	0.0572	4.0990
Secondary Property Tax Rates							
Library District		0.5493		0.0044	0.0044		0.5537
Debt Services		0.2200	(0.0950)	-	(0.0950)		0.1250
Flood Control District		0.3253		0.0018	0.0018		0.3271
Total Pima County Property Tax Rates	\$	5.1048	\$(0.0927)	\$ 0.0355	\$(0.0572)	\$ 0.0572	\$ 5.1048

The result of these recommendations is a combined County property tax rate of \$5.1048 per \$100 of taxable net assessed value, which is the same combined overall tax rate levied in FY 2023/24. The FY 2024/25 recommended primary and secondary County tax rates are summarized in Table 9 below.

Table 9: Combined Recommended County Property Tax Rate			
Description	FY 2023/24 Adopted Rates	FY 2024/25 Recommended Rates	Difference
General Fund Primary	\$4.0102	\$4.0990	\$0.0888
Library District	0.5493	0.5537	0.0044
Debt Service	0.2200	0.1250	(0.0950)
RFCD	0.3253	0.3271	0.0018
TOTAL	\$5.1048	\$5.1048	\$0.0000

Over the past five years, the County has steadily reduced its outstanding debt and transitioned to the General Fund PAYGO capital funding model. This approach has considerably decreased the combined County tax rate, as shown in Table 10 below. The recommended tax rate of \$5.1048 represents a 9.0 percent reduction, or a \$0.5036 decrease, in the tax rate since FY 2018/19.

Fiscal Year	Total Tax Rate	Change in Tax Rate	Cumulative Change in Tax Rate
2018/19	5.6084		
2019/20	5.5584	(0.0500)	(0.0500)
2020/21	5.3108	(0.2476)	(0.2976)
2021/22	5.1952	(0.1156)	(0.4132)
2022/23	5.0652	(0.1300)	(0.5432)
2023/24	5.1048	0.0396	(0.5036)
Recommended 2024/25	5.1048	0.0000	(0.5036)

For the tenth consecutive year, there will be an increase in the value of the County's overall property tax base. As a result, the recommended rates mentioned above will be applied to a primary tax base that is 5.71 percent higher than the current year base. Similarly, secondary tax bases such as Debt Service and Library District will see an increase of 5.71 percent, while RFCD will see a slightly greater increase of 6.48 percent. These increases in the tax base, along with the recommended primary and secondary property tax rates, will result in a \$31,050,754, or 5.75 percent, increase in the recommended combined County property tax levies compared to the current year levies, as displayed in Table 11.

The application of the Recommended 2024/25 tax rate of \$5.1048 amounts to an annual increase of \$58.49 to the average homeowner. Should the Board choose to increase the tax rate to recover the \$5.6 million discussed above in Section II.D. of this memorandum, this would amount to an additional \$12.46 annually to the average homeowner.

Description	FY 2023/24 Adopted Levies	FY 2024/25 Recommended Levies	Difference
General Fund Primary	\$426,961,727	\$461,322,412	\$34,360,685
Library District	58,483,387	62,316,228	3,832,841
Debt Service	23,423,166	14,068,139	(9,355,027)
RFCD	31,309,601	33,521,856	2,212,255
TOTAL	\$540,177,881	\$571,228,635	\$31,050,754

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Transmittal of the Fiscal Year 2024/25 Recommended Budget**
April 26, 2024
Page 29

B. Combined County Budget

The expenditure budget recommended for the County in FY 2024/25 totals \$1,726,493,259, as reflected in the budget schedules and departmental budget summaries provided with this memorandum. This expenditure amount represents a reduction of \$33,999,084, or 1.93 percent, from the FY 2023/24 Adopted Budget amount of \$1,760,492,343.

JKL/anc

c: Carmine DeBonis, Deputy County Administrator
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer
Steve Holmes, Deputy County Administrator
Ellen Moulton, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management
Xavier Rendon, Budget Division Manager, Finance and Risk Management