



MEMORANDUM

Date: January 9, 2014

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

From: C.H. Huckelberry
County Administrator 

Re: **Property Tax Base**

The County General Fund, which totals \$503,524,831, has two main revenue sources: property taxes and state-shared revenues.

A key variable associated with the property tax revenue source is the overall Pima County tax base. Since the current recession, this tax base has seen significant shrinkage from a peak of \$8.985 billion in Fiscal Year (FY) 2009/10 to \$7.559 billion today. Last year alone, the property tax base dropped nearly 6.4 percent. The Board, in adopting this fiscal year's budget, increased the primary property tax rate by 7.3 percent, which, to uninformed budget observers would seem like a large increase. This increase offset the shrinkage of the property tax base and yielded a tax levy slightly higher than the previous fiscal year's levy of \$275,951,044. It is important to note that the current fiscal year levy is \$6,867,821 less than the levy for FY 2011/12, \$19,041,865 less than the levy for FY 2010/11; and \$20,568,122 less than the levy from four years ago (FY 2009/10).

The shrinkage of the property tax base since FY 2009/10 to today is equal to a 16 percent reduction; the largest in our history of property tax assessed value since inception of the modern property tax system in 1977. The attached Figure 1 shows the overall Pima County property tax base by year since 1977. As you can see, there is only one other period from approximately FY 1990/91 through FY 1993/94, where the tax base was basically stagnant. The decline in that period was due to the national savings and loan crisis; and the aggregate reduction of the tax base amounted to only \$42 million, or 1.4 percent. This is contrasted to the present 16 percent decline in the tax base as a result of the present recession.

Every year, the County performs a five-year forecast associated with the tax base and its likely value or position in future years. Figure 2 shows the forecasted tax base for each year from FY 2014/15 through FY 2018/19. As you can see, there is very modest expansion in the base from the present year. The good news is that it appears the decline in our property tax base is now at or near an end. Increases going forward will be very modest at between 1 and 2 percent. Also, note that constitutional limitations enacted by the voters in 2012 limit the growth in future assessed value to no more than 5 percent per

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year. It is likely this cap on the value of taxable property will not be reached any time in the five-year future.

The property tax base expands in two ways: 1) through appreciation of real property and value, and 2) through new growth or new taxable properties added to the tax roll. There is little appreciation attached to the tax base today, and new growth is limited to between 1 and 2 percent. It is this reality upon which our FY 2014/15 Budget will be based. While cities and towns will celebrate the increase in sales tax revenues, our revenue growth from economic recovery is stagnant.

CHH/anc

Attachments

c: Tom Burke, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

Primary Net Assessed Values - Fiscal Year 1976/1977 through Fiscal Year 2013/2014

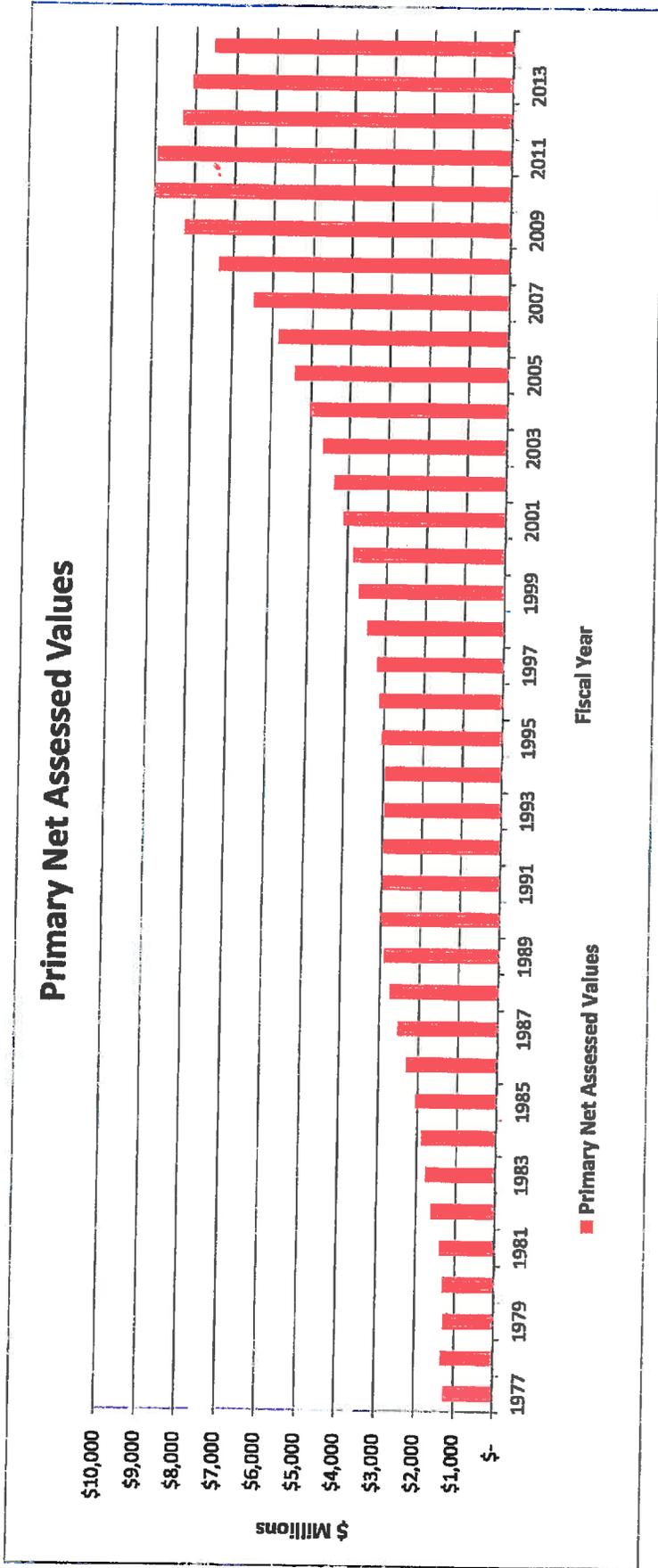


FIGURE 1

FIGURE 1

**Primary Net Assessed Values
Fiscal Year 1976/77 through 2013/14**

Fiscal Year	Primary Net Assessed Values
1977	\$ 1,248,111,040
1978	\$ 1,325,048,027
1979	\$ 1,288,998,388
1980	\$ 1,303,604,598
1981	\$ 1,385,820,425
1982	\$ 1,620,475,484
1983	\$ 1,777,879,647
1984	\$ 1,895,442,002
1985	\$ 2,067,021,180
1986	\$ 2,305,320,800
1987	\$ 2,530,982,778
1988	\$ 2,743,293,470
1989	\$ 2,895,054,121
1990	\$ 2,984,081,951
1991	\$ 2,983,159,724
1992	\$ 2,969,739,256
1993	\$ 2,951,177,433
1994	\$ 2,941,413,135
1995	\$ 3,049,265,952
1996	\$ 3,130,752,720
1997	\$ 3,208,291,430
1998	\$ 3,468,320,028
1999	\$ 3,682,397,194
2000	\$ 3,853,630,109
2001	\$ 4,111,664,071
2002	\$ 4,361,492,992
2003	\$ 4,669,335,684
2004	\$ 5,022,474,184
2005	\$ 5,412,550,080
2006	\$ 5,849,548,818
2007	\$ 6,467,201,516
2008	\$ 7,353,331,088
2009	\$ 8,230,966,534
2010	\$ 8,985,711,830
2011	\$ 8,939,647,260
2012	\$ 8,310,120,212
2013	\$ 8,073,937,734
2014	\$ 7,559,129,097

FIGURE 2 -- Net Assessed Values With New Growth

General Fund

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Real and Secured	\$ 7,254,139,567	\$ 7,289,935,273	\$ 7,431,535,263	\$ 7,611,783,424	\$ 7,905,474,214	\$ 8,137,270,774
Unsecured Personal	\$ 276,454,242	\$ 274,255,867	\$ 270,849,925	\$ 265,744,478	\$ 268,653,399	\$ 271,894,123
Total	\$ 7,530,593,809	\$ 7,564,191,140	\$ 7,702,385,188	\$ 7,877,527,902	\$ 8,174,127,614	\$ 8,409,164,897

Debt Service

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Real and Secured	\$ 7,314,532,977	\$ 7,313,697,735	\$ 7,431,535,263	\$ 7,611,783,424	\$ 7,905,474,214	\$ 8,137,270,774
Unsecured Personal	\$ 276,454,777	\$ 274,252,205	\$ 270,849,925	\$ 265,744,478	\$ 268,653,399	\$ 271,894,123
Total	\$ 7,590,987,754	\$ 7,587,949,940	\$ 7,702,385,188	\$ 7,877,527,902	\$ 8,174,127,614	\$ 8,409,164,897

Library

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Real and Secured	\$ 7,314,532,977	\$ 7,313,697,735	\$ 7,431,535,263	\$ 7,611,783,424	\$ 7,905,474,214	\$ 8,137,270,774
Unsecured Personal	\$ 276,454,777	\$ 274,252,205	\$ 270,849,925	\$ 265,744,478	\$ 268,653,399	\$ 271,894,123
Total	\$ 7,590,987,754	\$ 7,587,949,940	\$ 7,702,385,188	\$ 7,877,527,902	\$ 8,174,127,614	\$ 8,409,164,897

Flood Control

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Real and Secured	\$ 6,768,456,641	\$ 6,771,675,884	\$ 6,895,514,438	\$ 7,083,221,925	\$ 7,366,788,590	\$ 7,583,233,147
Unsecured Personal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 6,768,456,641	\$ 6,771,675,884	\$ 6,895,514,438	\$ 7,083,221,925	\$ 7,366,788,590	\$ 7,583,233,147