



MEMORANDUM

Date: June 19, 2020

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

From: C.H. Huckelberry
County Administrator 

Re: **Budget Information on Property Taxes**

The Final Budget is scheduled to be adopted by the Board of Supervisors on June 23, 2020. During the Public Hearing, there will be Truth in Taxation hearings on the tax rates and levy set for the primary property tax, the Library District secondary tax and the Regional Flood Control District secondary tax.

The language on the Agenda indicates that property taxes are increasing. This language is as required by the Statute requiring Truth in Taxation and simply means total property taxes collected by the specific levy exceeds that collected in the previous year.

This statement does not take into account State costs transfers as well as growth in the tax base for new property taxpayers. This issue was highlighted on Page 27 of my May 4, 2020 memorandum transmitting the Recommended Fiscal Year 2020/21 Budget and highlighted on Table 13 (reproduced below) of that memo.

Description	FY 2019/20 Adopted Levies	FY 2020/21 Pre- COVID-19 Recommended Rates	FY 2020/21 Post- COVID-19 Recommended Rates	Difference between FY 2019/20 Adopted and Post-COVID-19 Rates
General Fund Primary	\$ 349,163,676	\$ 368,158,074	\$ 358,487,504	\$ 9,323,828
Library District	46,731,502	48,928,700	48,928,700	2,197,198
Debt Service	60,236,758	47,530,215	47,530,215	(12,706,543)
RFCD	26,495,639	27,976,190	27,976,190	1,480,551
TOTAL	\$ 482,627,575	\$ 492,593,179	\$ 482,922,609	\$ 295,034

This table shows the individual tax levies as compared to the previous year as well as the pre-COVID-19 recommended rates that complied specifically with the Board's direction regarding the Pay-as-you-go program. This table also highlights the significant drop in the

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debt service levy. Combined, the increases in the primary, Library, and Flood Control District levies net only an increase of \$295,034 or less than one-tenth of one percent of the combined County property tax levy.

Essentially, the amount of property taxes collected are level from the previous year.

What these increases do not take into account is growth of the tax base for new property owners or property owners that have made substantial or significant improvements to their property. For example, this new growth in the primary tax levy equals approximately \$5.9 million or 63 percent of the total increase of \$9.3 million. The same could be calculated for the Library and Flood Control District levy. The amount of new growth in those levies would total approximately \$1.1 (\$0.8 million and \$0.3 million respectively).

Hence, of the total increase of the primary, Library and Flood Control levies of \$13.0 million, approximately \$7.0 million or 54 percent is directly related to new growth.

Another factor that is not taken into account by the Truth in Taxation Legislation is the issue of State cost transfers. This means the State by their own decisions require local counties to contribute more money or local taxes for State programs. In our case, that increased transfer for this year was approximately \$8.5 million. This increase alone represents 91 percent of the difference in the primary property tax levy from last year to this year. Clearly, property taxes collected by the County in total compared to last year are almost insignificant. A large component of the tax increase from last year is attributed to growth in the tax base for new construction, not appreciation. The fact that State cost transfers increased by approximately \$8.5 million this year, mitigates any concern that should be raised over holding Truth in Taxation hearings on the County property tax levies and rates.

CHH/anc

c: Jan Leshar, Chief Deputy County Administrator
Michelle Campagne, Director, Finance and Risk Management