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# MEMORANDUM

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Date: May 26, 2020

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

From: C.H. Huckelberry  
County Administrator 

Re: **Truth in Taxation Achievement in the Three Pima County Tax Rates (Primary, Library and Regional Flood Control)**

At adoption of the Tentative Budget, members of the Board indicated an option to examine what impacts would occur if Truth in Taxation rates and levies were adopted by the Board for Budget Year 2021.

The table below shows the current Tentative Budget adopted rates and the rates that would have to be adopted to meet Truth in Taxation Hearing requirements. These requirements will require all of the rates to be reduced. The primary property tax rate would have to be reduced by approximately \$0.038, the Library District rate reduced by \$0.016 and the Flood Control rate reduced by \$0.014 per \$100 of assessed valuation.

	PRIMARY	LIBRARY	FLOOD CONTROL
Current Rate	\$ 3.9220	\$ 0.5353	\$ 0.3335
Levy	\$ 358,487,504	\$	\$ 27,976,190
Max Rate w/o TNT Hearing	\$ 3.8835	\$ 0.5198	\$ 0.3198
Levy	\$ 354,968,440	\$ 47,511,934	\$ 26,826,943
Reduction in Tax Rate	\$ (0.0385)	\$ (0.0155)	\$ (0.0137)
Reduction in Levy	\$ (3,519,064)	\$ (1,416,766)	\$ (1,149,247)

The resulting levies would result in reduced revenues of \$3.5 million to our General Fund, \$1.4 million in reduced revenues to the Library District and a \$1.1 million reduction to the Regional Flood Control District.

While Truth in Taxation is one measure of tax liability, it is not the panacea to neutral taxation as derived by the Legislature, particularly when the State transfers \$8.5 million of additional costs to the County that must ultimately be made up in our General Fund, which is largely supported by property tax.

The Honorable Chairman and Members, Pima County Board of Supervisors  
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I do not recommend reducing any of the recommended rates and/or levies due to the following:

1. Continued uncertainty and predictability in our revenue future – while the economy begins to reopen, we have no reliable or statistically relevant forecast of future revenues. Therefore, any reduction in revenues would be imprudent.
2. Since we have dropped the Pay-as-you-go (PAYGO) program for this fiscal year, further reducing the rates would put in jeopardy any future fiscal year implementation of the PAYGO program – this would make it significantly more difficult to restart the PAYGO program for capital improvements.
3. Reducing rates now would increase our risk associated with future revenues – if revenues continue to plummet this would also aggravate our existing budget conditions requiring more dramatic tax increase measures in the future.

Hence, I do not recommend that the Board adopt any rate, whether for the primary, Library District or Flood Control District that would attempt to meet the arbitrarily developed Truth in Taxation standards of the Arizona Legislature. I would feel differently if they included a calculation that would offset any Truth in Taxation obligations based on increased State cost transfers.

Once the State begins to accurately reflect tax increase obligations, particularly those that are simply passed through by the State legislature, I would certainly revisit my position regarding the Truth in Taxation statutes.

CHH/anc

c: Jan Leshar, Chief Deputy County Administrator  
Carmine DeBonis, Jr., Deputy County Administrator for Public Works  
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,  
Health and Community Services  
Michelle Campagne, Director, Finance and Risk Management