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# MEMORANDUM

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Date: April 30, 2021

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

From: C.H. Huckelberry  
County Administrator 

Re: **Transmittal of the Recommended Fiscal Year 2021/22 Budget**

## Introduction

This memorandum transmits the Recommended Fiscal Year (FY) 2021/22 Budget for Pima County. These recommendations are based on information available in April 2021. As of today, the Governor and the State Legislature have not adopted a State budget for FY 2021/22. It is likely the final budget adopted by the State will have impacts on Pima County's final budget and may change the recommendations made in this memorandum. It is also possible additional relevant information will become available for the Board of Supervisors as it deliberates on the budget prior to final adoption on June 22, 2021.

On March 2, 2021, the Board approved holding four public hearings on the budget. These hearings will be held on the dates shown in the budget schedule on the next page. In total, the Board will hold six public hearings regarding the budget, before the Final Budget Adoption. The budget hearings will be televised, as well as available for viewing through the internet.

Working budget drafts, including budgets submitted by all County departments, have been available on the [County Budget website](#) since February 1, 2021. These reports receive weekly updates throughout the budget process and include the following:

- Recommended Summary by Object Reports for both revenue and expenditures;
- Recommended Detail Line Item by Unit Reports for revenue and expenditures;
- Recommended Positions by Unit.

The above financial reports include the FY 2019/20 actual amounts, FY 2020/21 Adopted Budget, FY 2020/21 year-to-date amounts as of the date of the report and the FY 2021/22 Recommended Budget. The reports also include two columns of variances that compare the FY 2020/21 Adopted Budget to the FY 2021/22 Recommended Budget and the FY 2020/21 Adopted Budget to the FY 2020/21 year-to-date expenditures and revenue.

In addition to these reports, the County Budget website includes budget-related communications issued to the Board and County departments throughout the FY 2021/22

budget process to date. This information can be accessed on the County's home page ([www.pima.gov](http://www.pima.gov)) by clicking on the County Budget link.

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

May 11, 2021	Board Budget Hearings (full day, two sessions)
May 12, 2021	Board Budget Hearings (full day, two sessions)
May 18, 2021	Tentative Budget Adoption (Sets Budget Ceiling)
June 22, 2021	Truth in Taxation Hearing (Pima County, Regional Flood Control District and County Free Library)
June 22, 2021	Final Budget Adoption
August 16, 2021	Tax Levy Adoption (Date set by state statute)

The documents shown below follow this budget memorandum.

- Budget schedules showing fund balances, expenditures, revenues, transfers and other financing sources.
- A summary of each department's budget, including a description of the budget on a line-item account basis.

The County's base operating budget for all funds set forth in this recommendation includes projected, continuing and new cost shifts, revenue reductions and revenue sharing.

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## **I. OVERVIEW OF RECOMMENDED BUDGET**

As you know, in March 2020 the Coronavirus (COVID-19) spread to Pima County. When the Adopted Budget for FY 2020/21 was created, the County was at the beginning of the pandemic. As a result, the County included extremely conservative State Shared Sales Tax and Vehicle License Tax amounts within the budget. Departmental spending was dramatically reduced by instituting a number of budgetary reductions within the FY 2020/21 budgets, including:

- a hiring freeze
- a 3% reduction in personnel
- a 5% reduction in budgeted line item amounts (personnel, supplies, services, capital, etc.)
- the elimination of 50% of in-state training and travel
- the elimination of 100% of out-of-state travel
- Eliminating 10% of overtime
- Eliminating 15% of various operating supplies, etc.

With all of these budget reductions and changes, approximately 270 positions (mostly vacant) were eliminated.

Pima County's FY 2021/22 Recommended Budget continues to adjust in response to the pandemic. The Recommended Budget reflects the County's recovery from and continued response to the COVID-19 pandemic. The budget for FY 2021/22 will exceed \$2 billion in expenditures, primarily due to the inclusion of \$300,000,000 to pay a portion of the unfunded liability for the Public Safety Personnel Retirement System and Correction Officer Retirement Plans and \$350,000,000 within Grants Contingency for COVID-19 related grants from the Consolidated Appropriations Act and American Rescue Plan Act plus any other emergency or unforeseen grants.

## **BUDGET RECOMMENDATIONS**

FY 2021/22 significant budget highlights include the following:

- The projected General Fund available ending balance for FY 2020/21 is \$115,770,313, an increase of \$66,432,626 over the budgeted FY 2020/21 General Fund Reserve of \$49,337,687. This amount represents the beginning fund balance for FY 2021/22.
- It is recommended that a portion of the FY 2020/21 ending balance be allocated primarily to the following purposes:
  - \$15,000,000 to fund the contract payment to Banner Health on behalf of the Banner–University of Arizona Medical Center South Campus;

- \$780,558 to fund the State's shift of costs to the County for the Arizona Department of Revenue;
- \$44,264,856 to fund a portion of the General Fund Budget Reserve, for FY 2021/22.
- It is recommended that the General Fund primary property tax rate be decreased \$0.0456 from the FY 2020/21 rate of \$3.9220 to \$3.8764. Budgeted FY 2021/22 primary property tax collections from all sources total \$379,653,403.
- Assuming the Board adopts the decreased General Fund primary property tax rate of \$3.8764 per \$100 of net assessed value, recommended General Fund revenues and transfers-in for FY 2021/22 are projected to be \$622,887,357, which is \$41,947,465, or 7.2 percent, more than the current year.
- Excluding primary property taxes, General Government Revenues from all other sources are projected to increase \$26,915,831.
- The value of the net primary property tax base is projected to increase 6.08 percent. This is the seventh time in ten years the property tax base has increased. Because of the Great Recession, the County's primary net assessed value declined 15.9 percent between FY 2010/11 and FY 2014/15. The property tax base is projected to continue to increase modestly for the next few years. While the valuation is increasing, the proposed General Fund primary property tax rate is recommended to decrease by \$0.0456 per \$100 of net assessed value. This will result in an increase in the net General Fund primary property tax levy of \$17,374,068 over the FY 2020/21 levy.
- General Fund primary property tax revenues from all sources are projected to increase \$24,774,998 at the decreased tax rate. Primary property tax revenues are different from the tax levy because of the impact of actual property tax collection rates, the amount of delinquent property tax collected and the associated penalties and interest collected on delinquent property taxes.
- Recommended General Fund expenditures and transfers-out for FY 2021/22 are projected to be \$1,038,657,670, which is \$386,223,864, or 59.2 percent more than the current year's adopted budget.
- Existing State budget cost transfers for FY 2021/22 have an annual budget impact of \$93,326,479, or 25.6 percent of the recommended General Fund primary property tax rate of \$3.8764.
- The recommended General Fund Budget Reserve totals \$44,264,856, or 7.1 percent of recommended General Fund revenues and operating transfers-in.

- The Recommended Budget for the Library District for operating costs, grants and operating transfers-out is \$49,162,490, a \$407,807 decrease from the current year. The secondary property tax rate is recommended to remain at the FY 2020/21 rate of \$0.5353 per \$100 of net assessed value.
- The Recommended Budget for Debt Service is \$109,492,831, a \$9,022,612 decrease from the current year. The recommended budget proposes the secondary property tax rate be reduced to \$0.4500 per \$100 of net assessed value, a \$0.0700 decrease from the FY 2020/21 rate of \$0.5200, resulting in a decrease of \$3,897,538 in the secondary property tax levy.
- The Recommended Budget for the Regional Flood Control District (RFCD) for operating costs, special revenue, grants, and operating transfers-out is \$35,432,375, a \$6,282,685 increase from the current year, which includes an increase of \$1,353,306 in the secondary property tax levy. The recommended budget proposes the secondary property tax rate remains at \$0.3335 per \$100 of net assessed value.
- The combined primary and secondary recommended County property tax rate (excluding the Fire District Assistance Tax) is \$5.1952 per \$100 of net assessed value and is a decrease of \$0.1156 from FY 2020/21. The resulting combined County levy (excluding the Fire District Assistance Tax) is \$500,727,238, a \$17,804,629 increase over the current year. Listed below is the combined Pima County property tax rate for the last five years (excluding the Fire District Assistance Tax):
  - FY 2016/17 \$5.8384
  - FY 2017/18 \$5.9784
  - FY 2018/19 \$5.6084
  - FY 2019/20 \$5.5584
  - FY 2020/21 \$5.3108
- The FY 2021/22 Recommended Budget includes six Supplemental Budget Requests totaling \$13,002,312. These requests are funded through the General Fund within the Recommended Budget. See page 16 for additional information.
- The combined, total Recommended County Expenditure Budget for FY 2021/22 is \$2,115,600,207 and is \$693,090,905, or 48.7 percent, more than the current year Adopted Budget.

## **II. ISSUES SIGNIFICANTLY IMPACTING THE COUNTY BUDGET**

This section contains a series of brief descriptions of some of the major issues that impact Pima County's FY 2021/22 Recommended Budget. Further details are contained in various memoranda accessed via the [County Administrator Memoranda FY 2021/22](#) page on the County Budget website.

A. COVID-19 Pandemic

The COVID-19 Pandemic, which began in FY 2019/20, had a significant impact on our FY 2020/21 budget and will now have an even larger impact on our FY 2021/22 budget. The FY 2021/22 expenditures are significantly higher than in any other prior year. This is due in part to the County's responsibility as a regional public health agency. Our budgeted expenditures for COVID-19 testing, contact tracing, vaccination, purchase of personal protective equipment and other actions as a regional public health agency continue to increase. Fortunately, the American Rescue Plan Act will provide nearly \$203,000,000 in funding to offset our unanticipated expenditures. The expenditures for County departments directly responding to the COVID-19 pandemic continue to grow at an unprecedented rate. This increase in expenditures is justified to ensure the health and well-being of the community as we continue to deal with the challenges brought about by the pandemic. In preparation of possible future health emergencies, the FY 2021/22 budget includes a \$10 million Emergency Reserve to fund expenditures related to public health emergencies including, however not limited to, the COVID-19 pandemic.

B. Public Safety Personnel Retirement System and Correction Officer Retirement Plan Pledged Revenue Obligations

Pima County has a significant unfunded actuarial accrued liability for our Public Safety Personnel Retirement System (PSPRS) and Correction Officer Retirement Plan (CORP). Per the PSPRS and CORP Actuarial Valuation Reports as of June 30, 2020, the County's liability was \$259,986,600 for PSPRS and \$83,230,103 for CORP for a total unfunded actuarial accrued liability of \$343,216,703. To significantly reduce this unfunded liability and have relatively level contribution payments in future years, the County has issued \$300,000,000 in Pledged Revenue Obligations.

C. State Cost Shifts

The shifting of the State of Arizona's Budget Costs to Pima County continues to have direct, adverse impacts on the programs and services provided by the County in FY 2021/22.

Overall FY 2021/22 State cost shifts total nearly \$93.3 million, or 25.6 percent of the proposed General Fund primary property tax rate of \$3.8764 per \$100 of net assessed value. These scheduled cost shifts are approximately \$3.1 million less than last year and will have to be absorbed into the budget. It is likely these cost shifts will increase even faster next year as the full impact of a twenty-plus percent increase in AHCCCS enrollment will need to be paid. A detailed list of these State cost transfers is shown in Table 1 below.

<b>Table 1: Continuing FY 2021/22 State Cost Transfers to Pima County.</b>	
<b>Description</b>	<b>Amount Required From Pima County</b>
Superintendent of Schools Accommodation District	\$591,446
Arizona Department of Revenue Operating Cost	780,558
Restoration to Competency	979,699
Constables – Salaries and Benefits	1,124,712
Justice Courts – JP Salaries and Benefits	1,794,747
Behavioral Health System State Contribution	3,064,936
Arizona Health Care Cost Containment System	16,670,600
Superior/Juvenile Court – Salaries and Benefits	19,646,281
Arizona Long Term Care System	48,673,500
<b>Total</b>	<b>\$93,326,479</b>

D. Employee Compensation

1. \$15.00 Minimum Wage Adjustment

I am recommending that the minimum wage for Pima County employees increase to \$15 per hour the first pay period after July 1, 2021. This increase is in response to difficulties experienced by several departments in attracting and retaining qualified candidates. This increase will apply to over 1,950 County staff members. The FY 2021/22 County-wide cost of this proposed salary increase is \$4.4 million including associated benefits. The cost to the General Fund is \$2.8 million.

If the Board approves this recommended salary adjustment, employee eligibility requirements will be sent to departments in a separate memorandum.

E. Employee Benefits

Overall, FY 2021/22 County benefit costs are expected to increase by a net of \$13.5 million over FY 2020/21 (from \$159.3 million to \$172.8 million). Increases in the County’s health insurance premiums, and required contribution rates for the Public Safety Personnel Retirement System (PSPRs), and the Arizona State Retirement System (ASRS) primarily drive this net additional cost. In addition, beginning in FY 2021/22, each department will cover short-term disability premium costs.

Based on the plan performance of the Pima County Health Care Benefits Trust, FY 2021/22 health insurance rates for both the County and eligible County employees will increase from the FY 2020/21 rates. This year, the County has experienced higher claims than in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 6.8

percent for medical and 7.1 percent for pharmacy. In order to maintain a sufficient balance in the Pima County Health Care Benefits Trust fund for the coming year, the County increased rates to the employee and the County. The employee rate increases range from \$4.37 to \$7.77 per pay period, depending on selected coverage. The County share of the health insurance premiums increased by 11.48 percent.

The annual cost of all benefits as a percentage of employee compensation varies widely by employee type. For example, a County employee in the ASRS retirement system receives employer paid benefits equal to 34 percent of their salary. For certain Public Safety employees, this percentage increases to as much as 102 percent of the cost of their salary.

#### F. County Staffing

Over the past several years, Pima County has taken significant actions to maintain an effective and efficient workforce while incrementally reducing unnecessary or redundant positions.

The overall County workforce has shrunk by over 1,400 Full-Time Equivalents (FTEs), or 16.9 percent from peak staffing in FY 2007/08, as shown in Table 2 below. In addition to decreases in staffing, the County instituted significant changes in the way it budgets and accounts for vacant positions and staff turnover. Staffing is controlled by having departments budget only for positions they can reasonably expect to fill during the course of the fiscal year.

FY 2021/22 total budgeted FTEs increased by a net of 139 from FY 2020/21. The majority of the increase is due to the newly elected officials' assessment of their departments and staffing needs required to provide services to the public, necessary staffing to provide the appropriate response to pandemic related services, and staffing required to restart services after the pandemic shutdown. The increase represents the net of various increases and decreases in the funded FTE counts within the various County departments. Descriptions of changes in the number of FTEs are included in the individual department descriptions in this book.

<b>Table 2: Total Budgeted FTE Positions, FY 2007/08</b>			
<b>Adopted Budget through FY 2021/22 Recommended Budget</b>			
<b>Fiscal Year</b>	<b>Budgeted FTEs</b>	<b>Change in Budgeted FTEs</b>	<b>Cumulative Change in Budgeted FTEs</b>
2007/08	8,396		
2008/09	8,113	(283)	(283)
2009/10	7,838	(275)	(558)
2010/11	7,753	(85)	(643)
2011/12	7,361	(392)	(1,035)
2012/13	7,314	(47)	(1,082)
2013/14	7,329	15	(1,067)
2014/15	7,255	(74)	(1,141)
2015/16	7,061	(194)	(1,335)
2016/17	7,114	53	(1,282)
2017/18	7,056	(58)	(1,340)
2018/19	7,129	73	(1,267)
2019/20	7,112	(17)	(1,284)
2020/21	6,840	(272)	(1,556)
2021/22	6,979	139	(1,417)

**III. GENERAL FUND ENDING FUND BALANCE: FY 2020/21**

A. Positive Ending Fund Balance

The recommended General Fund ending balance for FY 2020/21 is projected to be \$415,770,313. This includes \$300,000,000 of debt proceeds restricted for pension liability reduction. Therefore, the available ending balance totals \$115,770,313. This is a projected increase of \$66,432,626 over the FY 2020/21 budgeted General Fund Reserve of \$49,337,687, and represents approximately 18.6 percent of FY 2021/22 projected General Fund revenues and operating transfers-in. This ending fund balance is within the recommended guidelines of the Government Finance Officers Association and represents the FY 2021/22 Beginning Fund Balance.

B. Recommended Uses of General Fund Ending Balance

The information contained in Table 3 below represents my recommendations for use of \$60,045,414 of the non-recurring, one-time resources, projected as a portion of the available ending balance of the General Fund on June 30, 2021.

<b>Table 3: Recommended Allocation of FY 2020/21 General Fund Ending Balance</b>	
<b>Recommendation</b>	<b>Amount</b>
Banner–University Medical Center South Campus	15,000,000
State Cost Shift: Arizona Department of Revenue	780,558
General Fund Reserve	44,264,856
<b>TOTAL</b>	<b>\$60,045,414</b>

**IV. GENERAL FUND SUBMITTED BASE BUDGET: FY 2021/22**

A. General Fund Base Budget Revenues (Before my recommended adjustments below)

If the current General Fund primary property tax rate of \$3.922 were to be continued into FY 2021/22, projected FY 2021/22 base budget revenues and operating transfers-in to the General Fund would total \$627,170,613. This is a \$46,230,721 or an 8.0 percent, increase from the current year adopted budgeted revenues and operating transfers-in to the General Fund. However, I am recommending a \$0.0456 decrease in the FY 2021/22 General Fund primary property tax rate to \$3.8764 per \$100 of taxable net assessed value from the FY 2020/21 rate of \$3.9220.

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

*1. General Government Revenues Other Than Property Taxes*

Excluding General Fund primary property tax revenues, projected FY 2021/22 base budget General Government revenues from all other sources is \$194,990,397, a \$26,915,831, or 16.0 percent increase from the current Adopted Budget.

The largest revenue stream in this category – State Shared Sales Tax – is projected to increase by \$20,200,000, or 18.1 percent, to \$132,000,000, as the local and state economies recover from the COVID-19 pandemic. Vehicle License Tax revenue is also projected to show continued improvement next year with an overall increase of \$5,737,000, or 20.1 percent, as local population growth and new vehicle sales exceed the annual reduction in the tax base.

## *2. Primary Property Tax Revenues*

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

Nine years ago, Arizona voters approved a Constitutional amendment that substantially limits future overall appreciation of the existing property tax base by setting a five percent cap on taxable net assessed value increases from year to year. Previously, the market dictated increases in taxable net assessed value.

### *b. Primary Property Tax Revenues (Before recommended primary property tax rate adjustments)*

The taxable net assessed value for FY 2021/22 totals \$9.7 billion. This is a net increase of \$555.7 million, or 6.08 percent, over the current year and represents the seventh annual increase in taxable net assessed value in ten years. In FY 2021/22, the market value of existing property in the County will increase by 4.91 percent. New construction will add 1.11 percent to the property tax base.

Assuming the General Fund primary property tax rate for FY 2021/22 continues at the current rate of \$3.9220 per \$100 of taxable net assessed value, the resulting General Fund primary levy is \$380.3 million. This is \$21.8 million or 6.08 percent more than the amount levied in the FY 2020/21 year's Adopted Budget.

In addition to the collection of current year property taxes, the County receives revenue for the payment of delinquent property taxes from prior years and associated interest and penalties.

Together with the projected primary property tax collection next year, the total base General Fund property tax revenues projected for FY 2021/22 are \$383.9 million. This amount is \$29.1 million or 8.19 percent more than the total General Fund primary property tax revenues adopted in the FY 2020/21 Adopted Budget. The majority of the difference between the levy amount and the revenues collected is attributable to the overall collection rate, reductions in the forecasted collections of penalties and increases in the interest on delinquent property tax collections.

The State Truth in Taxation statute determines the County's neutral primary property tax levy each year. A neutral levy and corresponding tax rate is defined as the previous year's levy plus additions to the tax base from new construction. Pursuant to statute, the County's FY 2021/22 neutral primary rate is \$3.7383 per \$100 of taxable net assessed value, or \$0.1837 less than the current year \$3.9220 General Fund primary tax rate. The resulting neutral primary levy is \$17.8 million, or 4.7 percent less than the levy produced by the current year's General Fund primary tax rate. If the current year primary rate remains unchanged, the County would be required to hold a Truth in Taxation hearing prior to the final budget adoption.

This statutory benchmark is more restrictive than the County's Maximum Allowable Primary Levy Limit imposed by the Arizona Constitution, which is indexed to reflect a modest annual rate of inflation of two percent. The Maximum Allowable Primary Levy Limit imposed by the Arizona Constitution allows the County's primary rate to be increased to \$4.9360, or \$1.0140 higher than the current year's General Fund rate. The resulting constitution capped levy is \$478.6 million, which is \$98.3 million, or 25.8 percent greater than the levy produced by the current year's primary property tax rate.

The above discussion assumes that the General Fund primary property tax rate will remain unchanged from FY 2020/21. As I have indicated earlier in this memorandum, I am proposing a decrease to the FY 2021/22 General Fund property tax rate of \$0.0456 per \$100 of taxable net assessed value to \$3.8764 based on compliance with the Board adopted Pay-as-you-Go Capital Program. This discussion can be found in Section VI below.

### *3. Departmental Revenues*

Base budget General Fund revenues from departments and operating transfers-in for FY 2021/22 are projected to total \$48.2 million. This is a \$9.7 million net decrease from the current year's budget.

Significant increases/decreases in base General Fund departmental revenues and operating transfers-in include the following:

- \$2.5 million reduction in operating transfer-in payment from Information Technology
- \$2.3 million reduction in operating transfer-in payment from Development Services
- \$1.8 million decrease in loan payment from Catalina Foothills School District
- \$1.6 million decrease in loan payment from University of Arizona
- \$1.8 million increase in operating transfer-in Grant indirect cost reimbursement
- \$1.0 million reduction in operating transfer-in from Capital Projects
- \$859 thousand increase in recording fee revenue from the Recorder
- \$806 thousand decrease in election revenues from Elections
- \$700 thousand reduction in operating transfer-in from Wireless Integrated Network
- \$631 thousand decrease in inmate billing fees from the Sheriff
- \$460 thousand decrease in judicial fees from the Clerk of the Superior Court
- \$295 thousand decrease in election revenue from Superintendent of Schools

- \$277 thousand reduction in operating transfer in payment from NRPR

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

The amount required in FY 2021/22 to fund department submitted General Fund-supported base budgets for both expenditures and transfers-out is \$950,729,299. This base amount represents FY 2020/21 adopted departmental budgets adjusted for increased benefit costs, grants match, impacts to base costs pursuant to Board adopted budget policies and prior directives, and decreases in base one-time expenditures in the current year. Details regarding specific base expenditure adjustments can be found in the individual department analyses that follow this memorandum.

**V. RECOMMENDED ADJUSTMENTS TO GENERAL FUND BASE EXPENDITURES**

A. Public Safety Personnel Retirement System and Correction Officer Retirement Plan Reserved Contributions

As previously discussed in Section II. B, the County issued \$300,000,000 in Pledged Revenue Obligations to significantly reduce the unfunded pension liability and level the contribution payments in future years. \$12,074,504 of the annual contributions has been reserved in restricted funds for future debt payments.

B. \$15.00 Minimum Wage Adjustment

As previously discussed in Section II. D, I am recommending that the minimum wage for Pima County employees increase to \$15 per hour. The \$2,806,141 cost to the General Fund is currently budgeted in the Non-Departmental Unit of the General Fund and will be distributed to departments if the minimum wage adjustment is approved by the Board.

C. Supplemental Budget Requests

1. Early Childhood Learning

I am recommending approval of the FY 2021/22 supplemental budget request of \$10,000,000 for Early Childhood Learning. Pima County will provide scholarships to wholly or partially cover the cost incurred by parents who wish to enroll their three to five year old children in a high-quality early childhood program. Income eligibility requirements would apply.

2. Superintendent of Schools Educational Service Agency Staffing

I am recommending approval of the Superintendent of School's FY 2021/22 supplemental budget request of \$271,756 for Educational Service Agency staffing needs. The Superintendent's Educational Service Agency provides quality professional development offerings at little or no cost for many school leaders, faculty, support staff, and parents of

K-12 students throughout Pima County. Funding of the program staffing needs will help to ensure a continuation of this program that is vital to our local education system.

3. Constable Community Engagement Specialist

I am recommending approval of the Constable's FY 2021/22 supplemental budget request of \$64,753 to hire an additional Community Engagement Specialist. This position assists the Constable's office in connecting with the public, assisting families and individuals in public service matters.

4. County Attorney Case Processing System

I am recommending approval of the FY 2021/22 supplemental budget request of \$850,000 for modernization of the County Attorney's case processing system. The County Attorney will implement a new paperless case processing system capable of storing and tracking disclosure data in accordance with regulations within the Constitution and Rules of Court. The new processing system will provide a more efficient and effective means for County attorneys to access legal evidence. The County Attorney is pursuing grant funding for this project to offset a portion of the cost to the General Fund.

5. Sheriff Vail District Office Staffing and Body-Worn Cameras

I am recommending approval of the Sheriff's FY 2021/22 supplemental budget requests totaling \$1,815,803. The requests include \$1,143,620 for law enforcement body-worn cameras and \$672,183 for staffing needs at the Vail District office. The Sheriff is establishing a Vail District office at the Pima County Fairgrounds. The requested staff will operate out of the new office.

Table 4 below details the FY 2021/22 expenditure adjustments required to fund Banner University Medical Center, additional ongoing State-related cost shifts, the \$15 minimum wage, the PSPRS and CORP reserve, six supplemental budget requests and fully fund a 7.1 percent General Fund Budget Reserve.

<b>Table 4: Recommended Adjustments to FY 2021/22 Submitted Base Expenditures and Operating Transfers-out</b>	
<b>Proposed FY 2021/22 Base Expenditures and Operating Transfers-out</b>	<b>\$950,729,299</b>
Banner-University Medical Center South Campus	15,000,000
PSPRS and CORP Reserved Contributions	12,074,504
Early Childhood Education	10,000,000
\$15 Minimum Wage Salary and Benefit Adjustments	2,806,141
Sheriff - Law Enforcement Body Worn Cameras	1,143,620
Pima County Attorney - Paperless Case Processing System	850,000
Ongoing State Cost Shifts – Arizona Department of Revenue Costs	780,558
Sheriff – Vail District Office Staffing	672,183
Superintendent of Schools – Educational Service Agency Staffing	271,756
Constable – Community Engagement Specialist	64,753
Fund 7.1 Percent General Fund Budget Reserve	44,264,856
<b>Total FY 2020/21 Recommended Expenditures and Operating Transfers-out</b>	<b>\$1,038,657,670</b>

The Recommended General Fund budget totals \$1,038,657,670 and consists of \$944,509,643 expenditures and \$94,148,027 operating transfers-out to other County departments and funds.

I am also recommending a General Fund Budget Reserve of \$44,264,856. This amount represents 7.1 percent of recommended revenues and operating transfers-in. This reserve meets the Government Finance Officers Association recommendation of a minimum set aside and retains a reserve capacity for any emergency funding during the course of the coming fiscal year.

## **VI. RECOMMENDED ADJUSTMENT TO GENERAL FUND SUBMITTED BASE REVENUES**

### **A. Decrease General Fund Primary Property Tax Rate by \$0.0456**

The FY 2021/22 General Fund primary property tax rate of \$3.8764 per \$100 of taxable net assessed value is a decrease of \$0.0456 from the FY 2020/21 rate of \$3.9220. As directed in the Board of Supervisors Policy D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program, the proposed General Fund primary property tax levy was calculated using sixty percent of both the decrease in the current secondary tax rate and of the increase in tax base to fund capital improvement projects, while the remainder of the unobligated tax value reduced the combined tax rate. The Pay-As-You-Go portion of the primary tax levy amount will be used to fund Transportation Pavement Preservation projects, as well as, other capital projects within the General Fund Pay-As-You-Go program. For more information on the Pay-As-You-Go Program, see Section VII B.

The net impact due to the implementation of the Pay-As-You-Go program on the General Fund primary property tax rate is a decrease of \$0.0456 per \$100 of taxable net assessed value from the FY 2020/21 rate of \$3.9220 to \$3.8764.

<b><i>Table 5: Recommended Adjustments to FY2021/22 Submitted Base Revenues and Operating Transfers-in</i></b>	
<b>Proposed FY 2021/22 Base Revenues and Operating Transfers-in</b>	<b>\$627,170,613</b>
\$0.0456 Decrease in the General Fund Primary Property Tax Rate (now \$3.8764)	(4,283,256)
<b>Total FY 2020/21 Recommended Revenues and Operating Transfers-in</b>	<b>\$622,887,357</b>

As I mentioned in Section IV.A.2.b above, State Truth in Taxation statutes determines the County’s neutral combined primary property tax levy each year. If the General Fund primary property tax rate remained the same as in FY 2020/21, the General Fund primary property tax rate would total \$3.9220 per \$100 of Taxable Net Assessed Value. The FY 2021/22 Truth in Taxation, tax rate is \$3.7383. Therefore, the proposed General Fund primary property tax rate of \$3.8764 would result in the General Fund primary rate being \$0.1381 over the Truth in Taxation rate. Thus, if the Board adopts the recommended primary property tax rate, the County will be required to hold a Truth in Taxation Hearing for the primary property tax prior to the final budget adoption.

**VII. 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 serves the entire County. In FY 2021/22, the Pima County Public Library budget includes the operation of a Main Library, 26 branches, a nonprofit support center, a bookmobile and online services, including a dynamic web portal, Infoline, “Ask a Librarian,” online homework help, employment and career help, full-text magazine and journal articles and downloadable e-books, audiobooks, video and music.

The Library has a collection of 1.2 million catalogued items, which will be borrowed 7 million times in the course of a year. The Library provides 1,200 computers that generate 1.5 million computer sessions by the public and welcomes on average 5.5 million visitors through its doors annually. The Library offers an increasing number of digital items to its patrons, including e-books and downloadable audiobooks, as well as streaming video. Community groups use library facilities to hold meetings of civic and educational interest and these facilities are gathering places where people interact, share information and engage in creating content through 21st Century Skills.

The County Library District property tax base is increasing for the seventh year in a row. The tax base is projected to increase 6.08 percent in FY 2021/22.

The FY 2021/22 Recommended Budget for operating costs, grants and operating transfers-out is \$49,162,490. The budget will fund increased operating expenses for salaries and benefits, other internal service charges and maintenance costs.

For the third budget year, \$0.0400 cents of the Library tax rate is dedicated for PAYGO capital facilities. The new Sahuarita Library will be one of the first facilities built using this funding strategy. In total, seven PAYGO Capital improvement Projects are scheduled in FY 2021/22. In addition to the previously mentioned project, Library capital improvement projects include Martha Cooper Library expansion, Richard Elias – Mission Library expansion, Library exterior improvements, Library interior improvements, Library parking lot improvements and Library network improvements.

I recommend that the FY 2021/22 Library District secondary property tax rate remain at \$0.5353 per \$100 of taxable net assessed value. The recommended tax rate is projected to provide \$51,502,102 in revenues with an additional projected \$1,363,948 from fines, interest, grants and miscellaneous revenue. The projected revenues exceed the recommended overall budget of \$49,162,490, increasing the Library District fund balance by approximately \$3,703,560. The primary reason I am recommending the Library District tax rate remain the same as last year is contracted PAYGO Library projects.

## *2. Debt Service Fund*

The total Recommended FY 2021/22 Debt Service Fund budget is \$109,492,831, a \$9,022,612 decrease from the current fiscal year. The Debt Service Fund includes payments on the County's General Obligation debt, the Street and Highway Revenue Bond debt, Certificates of Participation debt and Pledged Revenue Obligation debt, the majority of which is long-term debt, which is repaid within fifteen years.

### *a. General Obligation Debt Service*

The County's General Obligation Debt Service is funded by a secondary property tax levy. For FY 2021/22 the General Obligation Debt Service secondary property tax rate is reduced to \$0.4500 per \$100 of taxable net assessed value, a \$0.0700 reduction from FY 2020/21. The rate decrease is in line with the direction provided in the Board of Supervisors Policy for the General Fund Capital Improvement Fund Pay-As-You-Go Program. The FY 2021/22 recommended General Obligation debt service of \$45,526,529, a decrease of \$2,068,693 from FY 2020/21, would fund the existing debt service.

As originally planned when the 1997 Bond Program began, the debt service on new bond sales supported by the secondary tax levy was being offset by ongoing reductions in debt service for existing outstanding bonds. As the 1997 bonds were being retired, 2004, 2006, and 2014 bonds were sold, incurring new debt. The County issued the final General

Obligation Bond Authorization in FY 2016/17. All General Obligation debt is projected to be completely paid off in FY 2028/29.

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 being repaid from the HURF revenues the Transportation Department receives from the State of Arizona. The recommended Street and Highway Revenue Bond debt service of \$16,323,642 is an increase of \$130,400 from FY 2020/21, will fund the existing debt service.

c. Certificates of Participation Debt Service

The Certificates of Participation (COPs) debt service of \$38,365,589, a decrease of \$16,361,390 from FY 2020/21 includes COPs issued in prior years for the acquisition or construction of County facilities such as the Public Service Center, the Fleet Services Facility, the Historic Courthouse, Transportation Local Road Repair and Pavement Preservation Programs. The COPs debt service is paid from funds other than the General Obligation debt service tax levy.

d. Pledged Revenue Obligation Debt Service

The Pledged Revenue Obligation debt service of \$9,277,071 is new for FY 2021/22. This debt was issued to address the unfunded pension liabilities on the Public Safety and Correction Officer Retirement Plans. This debt is repaid from a portion of the State Shared Sales Taxes, the General Fund portion of the State Vehicle License Tax, County Excise Revenues and Payments in Lieu of Property Taxes.

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, 2021, the amount of outstanding sewer revenue debt will be \$423,265,000. Debt for sewer infrastructure is approximately 52 percent of all County Capital Improvement Program debt.

f. Overall Pima County Debt

Pima County issues General Obligation, Street and Highway, Certificates of Participation and Sewer Revenue Obligations to fund our Capital Improvement Program. The County also added Pledged Revenue Obligations in FY 2020/21 as a one-time issuance to address the unfunded pension liabilities on the Public Safety and Correction Officer Retirement Plans. The County's debt is not a traditional long-term debt. Rather, it is relatively short-term debt and always limited to 15-year repayment schedules.

Pima County's debt for capital projects peaked in FY 2012/13 at \$1.35 billion from all sources. Because the County limits this type of debt to 15-year repayment schedules, at the end of FY 2020/21 current Capital Improvement Program debt will be reduced to approximately \$809.7 million. It is anticipated that at the end of FY 2021/22 total Capital Improvement Program debt will equal \$865.3 million, which includes \$50 million in Certificates of Participation for Pavement Preservation and \$40 million in Sewer Revenue Obligations for Regional Wastewater Reclamation projects.

*3. Regional Flood Control District*

For the seventh consecutive year, the value of the Regional Flood Control District (RFCD) property tax base is forecasted to increase. The RFCD taxable net assessed value will increase 4.84 percent in FY 2021/22.

The recommended operating budget for the two components of the RFCD is \$17,242,282, a net decrease of \$1,432,194 from the current year budget. This amount includes \$16,964,282 for Flood Control Operations and \$278,000 of expenditures related to the Canoa Ranch In-Lieu Special Revenue Fund. The department has six grants in FY 2021/22, Invasive Plant Species, FEMA Cooperative Technical Partnership, USDA Brawley Wash, Canoa Hills, Hazard Mitigation Grant Program Finger Rock Culvert and Hazard Mitigation Grant Program Corona Del Oro.

The RFCD recommended budget also includes operating transfers-out totaling \$16,607,486, an increase of \$4,526,955 from the current year. These transfers include the following:

- \$15,434,247 transfer to the Capital Projects Fund to fund the District's Pay-As-You-Go Capital Improvement Program
- \$500,000 transfer to the Capital Projects Fund to fund the Big Horn Fire Flood Hazard Mitigation Program
- \$280,000 to the Regional Flood Control District Grant for Invasive Plant Species
- \$189,602 to the Stadium District for operating and maintenance costs of the Kino Environmental Restoration Project
- \$90,000 to the Regional Flood Control District Grant for Canoa Hills
- \$80,000 in funding for the County's Native Plant Nursery
- \$33,637 in Indirect Cost reimbursements to the General Fund

I recommend the RFCD FY2021/22 secondary property tax rate remain at \$0.3335 per \$100 of taxable net assessed value primarily because of the large capital transfer to ongoing capital projects.

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

As directed in the Board of Supervisors Policy D 22.12 General Fund Capital Improvement Fund Pay-As-You-Go Program, the current budget includes \$26,693,502 in funding for the PAYGO Program of which \$15,273,228 is for capital improvement projects. The balance of the funds is for the debt service payment on the \$50 million that was advanced in FY 2020/21 for pavement preservation. This funding was calculated using sixty percent of both the decrease in the current secondary tax rate and the increase in the tax base, the remainder of the unobligated tax value reduced the combined tax rate. The goal of the PAYGO program is to provide additional funding to repair our roads within 10 years, provide additional funding for other General Fund capital improvement projects as approved by the Board, reduce taxes spent on debt interest payments, and reduce the combined County property tax rate. This program is predicated on the general obligation bond debt repayment schedule being rapidly paid over the next several years that reduces the draw on the secondary tax rate.

The transition plan to PAYGO Capital Funding will fund the capital program with the debt service payment at a zero dollar level (once the General Obligation Bond Debt is fully retired). Annual capital financing will continue to use short-term debt instruments to ensure the County does not exceed the constitutionally imposed expenditure limit. In other words, after all of the voter authorized debt has been retired, the County will continue to issue Certificates of Participation for short-term debt. The use of long-term Certificates of Participation will also continue for larger scale capital projects, such as the upcoming required projects to replace the failing exterior façades of the administration complex buildings due to age. These long-term debt instruments are currently advantageous funding strategies due to low interest rates. Table 6 shows the secondary property tax levy for debt service for FY 2021/22 and the PAYGO calculation.

<b>Table 6: FY 2021/22 Pay-As-You-Go General Fund Primary Tax Levy.</b>	
	<b>FY 2021/22</b>
Debt Service <sup>[1]</sup> Secondary Tax Collection Rate	0.4500
Secondary Tax Levy Decrease <sup>[2]</sup>	0.0700
60% of Decrease <sup>[3]</sup>	0.0420
Primary PAYGO Levy from Cumulative Debt Service Rate Reductions	\$13,962,457
Primary PAYGO Levy from 60% of FY 2021/22 NAV Increase	12,731,045
<b>Total Available for Pay as you go<sup>[4]</sup></b>	<b>\$26,693,502</b>

[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 in the primary tax levy. The remaining forty percent will be used to decrease the overall County tax rate.

[4] Annual amounts per fiscal year available in the PAYGO fund.

In FY 2020/21, Transportation’s Pavement Preservation program received \$50 million that is being repaid by the transportation allocation from the PAYGO program and the FY 2021/22 budget includes another \$50 million that will also be repaid using the transportation allocation from the PAYGO program. The total allocation of PAYGO funding for pavement preservation is not being increased, only accelerated.

PAYGO projects budgeted within the Capital Projects Fund include \$15,273,228 in proposed PAYGO funds. Projects considered for use of 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 7. Projects selected to use PAYGO funding met two or more of these major benefit areas. These funds have been applied to projects within Community and Workforce Development, Environmental Quality, Facilities Management, Kino Stadium District, Parks and Recreation, Public Works, and the Sheriff’s Department, projects selected were fully funded by this year’s PAYGO allocation even if they are planned over multiple years.

In future years, the target for the PAYGO program is \$50 million per year of recurring revenues to pay for capital improvements of the County, since the General Fund transfer to road repair is limited to 10 years at the adopted schedule.

Table 7: 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

C. Pavement Preservation and Repair Funding for Local Roads

The FY2021/22 Transportation Department budget will contain specific funding for Pavement Preservation and Repair Contracts. For FY 2021/22, a combined allocation of \$85.5 million (\$35.5 million under the Pavement Preservation and Repair Contracts and \$50 million under the Construction Project line items within the Transportation’s operating budget). This is a significant investment in road repair and pavement rehabilitation. This added to prior year investments since the beginning of PAYGO in fiscal year 2019/20 represents an investment in pavement repair of \$177.5 million.

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

As set forth in Table 8, the FY 2021/22 recommended Capital Improvement Plan of \$195,498,694 consists of the Capital Projects Fund Budget of \$138,882,005, Capital Projects of Regional Wastewater Reclamation of \$48,012,815, Information Technology – Internal Service Fund of \$6,101,000, and Fleet Services of \$2,502,874. A complete list of projects for the Recommended Capital Improvement Plan is included in the Capital Projects section of this Recommended Budget Book.

Table 8: FY 2021/22 Recommended Capital Improvement Plan					
	FY 2020/21 Bond and Non- Bond Project Budgets	FY 2021/22 Bond and Non- Bond Project Budgets	Difference	1997 Bonds	Non-Bonds
<b>Capital Projects Fund</b>					
Transportation	\$ 33,355,097	\$ 52,268,896	\$ 18,913,799	\$ 12,820,702	\$ 39,448,194
Facilities Management	47,141,231	37,333,875	(9,807,356)	-	37,333,875
Flood Control District	16,000,000	17,281,261	1,281,261	-	17,281,261
Stadium District - Kino Sports Complex	1,650,000	14,075,000	12,425,000	-	14,075,000
Environmental Quality	20,000	4,008,028	3,988,028	-	4,008,028
Sheriff	7,500,000	3,866,139	(3,633,861)	-	3,866,139
Public Works Administration	500,000	3,125,000	2,625,000	-	3,125,000
Analytics and Data Governance		3,000,000	3,000,000	-	3,000,000
Parks and Recreation	2,898,013	2,484,806	(413,207)	-	2,484,806
Office of Sustainability and Conservation	1,650,000	1,100,000	(550,000)	-	1,100,000
Information Technology	264,000	264,000	-	-	264,000
Community and Workforce Development	460,000	75,000	(385,000)	-	75,000
<b>Total Capital Projects Fund</b>	<b>\$ 111,438,341</b>	<b>\$ 138,882,005</b>	<b>\$ 27,443,664</b>	<b>\$ 12,820,702</b>	<b>\$ 126,061,303</b>
Wastewater Reclamation	45,150,000	48,012,815	2,862,815	-	48,012,815
Information Technology - Internal Service Fund	7,004,000	6,101,000	(903,000)	-	6,101,000
Fleet Services	2,340,838	2,502,874	162,036	-	2,502,874
<b>Total Capital Improvement</b>	<b>\$ 165,933,179</b>	<b>\$ 195,498,694</b>	<b>\$ 29,565,515</b>	<b>\$ 12,820,702</b>	<b>\$ 182,677,992</b>

*1. Capital Projects Fund Budget*

The recommended \$138.9 million Capital Projects Fund Budget for FY 2021/22 is an increase of \$27.5 million, or 24.6 percent, from the current year's budget of \$111.4 million.

Of the total Capital Projects Fund, \$12.8 million is funded through 1997 bonds, and the remaining \$126.1 million is funded through other non-bond sources including State Revenue, Regional Transportation Authority (RTA) Sales Taxes, Impact Fees, Grants, Certificates of Participation (COPs), and General Funds.

The Department of Transportation has budgeted \$52.3 million for 19 projects. The projects include \$18.7 million for South Houghton Road Widening, \$8.7 million for Kolb Road (Sabino Canyon Road to Sunrise Drive), and \$8.2 million for Houghton Road (Mary Ann Cleveland Way to Valencia Road). Funding for the FY 2021/22 Department of Transportation Capital Program consists of \$23.8 million in Impact Fees, \$12.8 million in 1997 HURF Bonds, \$5.3 million in Grants, \$5 million in COPs, \$2.5 million in RTA Funding, \$2 million in State Revenue and \$900 thousand from various other funding sources.

Facilities Management has budgeted \$37.3 million for 24 projects. This year's recommended budget includes \$7.6 million for the façade improvements at 130 and 150 West Congress, \$3.9 million for security replacements at the Adult Detention Center, \$3.8 million for demolition and abatement on floors 5,10 and 11 at 130 W Congress and \$3.7 million for the Northwest County Service Center design phase. Funding for these projects is with COPs or department transfers.

Regional Flood Control District has budgeted \$17.3 million for 20 projects, including \$3 million each for Urban Drainage and Major Watercourse Infrastructure Management, \$2 million for the City of Tucson Downtown Links project and \$1 million each for Floodprone Land Acquisitions, the Airport Wash/El Vado Wash Drainage Improvements, and the Ruthrauff/Gardner Lane Union Pacific Railroad Culvert. These projects are funded with Tax Levy Revenue.

## *2. Regional Wastewater Reclamation Capital Budget*

The FY 2021/22 recommended capital budget for the Regional Wastewater Reclamation Department (RWRD) is \$48 million, an increase of \$2.9 million from FY 2020/21. The FY 2021/22 capital program plan is to be funded with RWRD Obligations. Conveyance projects total \$29.2 million, including \$10.8 million for augmentation of the Old Nogales Interceptor, \$10.1 million for the Second Force Main at the Continental Ranch Pump Station and \$4.3 million for Minor Rehabilitation Projects. Treatment projects total \$18.1 million and include \$7 million for the Anammox Treatment Process project, and \$6.3 million for the Tres Rios Headworks Biofilter Odor Control project and \$4.2 million for System-wide Treatment Rehabilitation.

## *3. Information Technology - Internal Service Fund Capital Budget*

The FY 2021/22 recommended capital budget for Information Technology - Internal Service Fund is \$6.1 million a decrease of \$903 thousand from FY 2020/21. The recommended budget includes \$2.3 million for Server Storage and \$1.2 million for a Network Refresh that will be funded through Information Technology - Internal Service Fund Operations.

## *4. Fleet Services Capital Budget*

The FY 2021/22 recommended capital budget for Fleet Services is \$2.5 million, an increase of \$162 thousand from FY 2020/21. The recommended budget includes three Fuel Island projects that will be funded through Fleet Operations.

## **VIII. COMBINED TOTAL COUNTY BUDGET**

### **A. Combined County Property Tax Rate and Levy**

The combined primary and secondary property taxes levied by the County fund 22 percent of the total County Recommended Budget expenditures. These are the only County revenues over which the Board has substantial control. The remainder of the County budget is supported almost entirely by charges for services and intergovernmental revenues, primarily State revenue sharing and grants.

As discussed in Section VI above, it is recommended that the County's General Fund primary property tax rate be decreased by \$0.0456 cents from the FY 2020/21 rate of \$3.9220 per \$100 of taxable net assessed value to \$3.8764 per \$100 of taxable net assessed value. Pursuant to State Truth in Taxation statutes, the levy produced by the General Fund primary tax rate will exceed the neutral primary levy. A Truth in Taxation hearing will be required to be noticed and held at the same time as Final Budget Adoption. The County's FY 2021/22 neutral levy tax rate is \$3.7383 per \$100 of taxable net assessed value.

The County controls three secondary property tax rates and their associated levies: Library District, Regional Flood Control District and Debt Service. It is recommended the Debt Service property tax rate be decreased by \$0.0700 per \$100 of taxable net assessed value, the RFCD and the Library property tax rates will remain the same. The net of these changes in the secondary property tax rates and increased taxable net assessed values will produce a \$430 thousand increase in secondary tax levies in FY 2021/22.

The RFCD and the Library District secondary property tax levies are subject to Truth in Taxation requirements similar to those in place for the County's primary property tax levy as described above. The impact to each district is as follows:

The Library District's FY 2021/22 neutral secondary property tax rate is \$0.5102 per \$100 of taxable net assessed value. The secondary property tax rate being recommended is \$0.5353 per \$100 of taxable net assessed value. If the Board adopts the recommended property tax rate, pursuant to statute, the Library District will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption.

The RFCD FY 2021/22 neutral secondary property tax rate is \$0.3199 per \$100 of taxable net assessed value. The secondary property tax rate being recommended is \$0.3335 per \$100 of taxable net assessed value. If the Board adopts the recommended property tax rate, pursuant to statute, the RFCD will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption.

The result of these recommendations is a combined County property tax rate of \$5.1952 per \$100 of taxable net assessed value, a decrease of \$0.1156 from the FY 2020/21 tax rates. The FY 2021/22 recommended primary and secondary County tax rates are summarized in Table 9 below.

<b>Table 9: Combined Recommended County Property Tax Rate</b>			
<b>Description</b>	<b>FY 2020/21 Adopted Rates</b>	<b>FY 2021/22 Recommended Rates</b>	<b>Difference</b>
General Fund Primary	\$3.9220	\$3.8764	\$(0.0456)
Library District	0.5353	0.5353	-
Debt Service	0.5200	0.4500	(0.0700)
RFCD	0.3335	0.3335	-
<b>TOTAL</b>	<b>5.3108</b>	<b>5.1952</b>	<b>(0.1156)</b>

For the seventh time in last ten years, the value of the County's overall property tax base will increase next fiscal year. Consequently, the rates recommended above will be applied to a primary tax base that is 6.08 percent more than the current year base and to secondary tax bases that range from an increase of 6.08 percent (Debt Service and Library District) to an increase of 4.84 percent (RFCD). These net increases in the tax base, combined with recommended primary and secondary property tax rates, result in the recommended combined County property tax levies increasing by \$17,804,629, or 3.7 percent, more than the current year levies as shown in Table 10 below.

<b>Table 10: Combined Recommended County Property Tax Levy</b>			
<b>Description</b>	<b>FY 2020/21 Adopted Levies</b>	<b>FY 2021/22 Recommended Levies</b>	<b>Difference</b>
General Fund Primary	\$358,487,504	\$375,861,572	\$17,374,068
Library District	48,928,700	51,903,493	2,974,793
Debt Service	47,530,215	43,632,677	(3,897,538)
RFCD	27,976,190	29,329,496	1,353,306
<b>TOTAL</b>	<b>\$482,922,609</b>	<b>\$500,727,238</b>	<b>\$17,804,629</b>

**B. Combined County Budget**

The FY 2021/22 Combined Recommended County Expenditure Budget is reflected in the budget schedules and departmental budget summaries that follow this memorandum totals \$2,115,600,207. That expenditure amount is an increase of \$693,090,905, or 48.7 percent from the FY 2020/21 Adopted Budget of \$1,422,509,302.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Transmittal of the Recommended Fiscal Year 2021/22 Budget**  
April 30, 2021  
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c: Jan Leshar, Chief Deputy County Administrator  
Carmine DeBonis, Deputy County Administrator for Public Works  
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer,  
Health and Community Services  
Michelle Campagne, Director, Finance and Risk Management Department  
Patrick McGee, Budget Manager, Finance and Risk Management