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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: **Whitepaper Regarding Annexation and Incorporation and the Impact on State Shared Revenues and other Related Issues**

I was recently asked by the Southern Arizona Leadership Council to present on the issue of annexation, incorporation and State shared revenues.

The attached whitepaper discusses the issue in detail and highlights a few common myths regarding Pima County and our unincorporated population, which is the largest of any other county in the State of Arizona.

If you have any questions regarding this analysis, please contact me.

CHH/anc

Attachment

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

**Discussion of Annexation and Incorporation Costs and Benefits**  
**Tax Facts and a Few Myths**  
**Chuck Huckelberry**  
**April, 2021**

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**Discussion of Annexation and Incorporation Costs and Benefits**  
**Tax Facts and a Few Myths**  
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Premise

It has been suggested that because of Pima County's large unincorporated population, the region receives substantially less state shared revenues and these revenues could support either a new unincorporated community or those incorporated communities who would annex their population. It has also been suggested that the high County unincorporated population has resulted in the highest tax burden in Arizona as well as the highest County debt in Arizona.

I. History of Population Growth in Pima County

Table 1 below shows the population of Pima County since 1960 to 2020 as well as the unincorporated population for each decade, the difference in growth in unincorporated population by decade and the percent of growth from the base unincorporated population.

Table 1  
Population Growth of Pima County

Year	County	Unincorporated	Change in Unincorporated	Percent Change
1960	265,660	45,764		
			36,750	80%
1970	351,667	82,514		
			110,716	134%
1980	536,100	193,230		
			51,710	27%
1990	668,187	244,940		
			60,511	25%
2000	848,375	305,451		
			47,868	16%
2010	981,168	353,319		
			12,324	4%
2020	1,050,906	365,643		

As can be seen, the largest growth in unincorporated population occurred in the decades between 1960 and 1990 where the unincorporated population went from approximately 46,000 to 245,000. The largest single increase in unincorporated population occurred between 1970 and 1980. The population during that decade grew by 134 percent. The growth in unincorporated population is not a recent phenomenon nor has there been any decrease in population in the unincorporated area because of either annexation or incorporation.

**Table 2**  
**Incorporation of Cities and Towns and Population**

<b>Year Incorporated</b>	<b>Jurisdiction</b>	<b>2020 Population</b>	<b>% of Pima County population</b>
1864	Unincorporated Pima County	365,643	35%
1877	City of Tucson	550,878	52%
1940	City of South Tucson	5,678	1%
1974	Town of Oro Valley	46,446	4%
1977	Town of Marana	49,910	5%
1994	Town of Sahuarita	32,351	3%

As can be seen, the City of Tucson comprises approximately 52 percent of the region's population and the unincorporated area comprises 35 percent, followed by Marana at 5 Oro Valley at 4, Sahuarita at 3 and South Tucson at 1. It should be noted that Marana and Oro Valley incorporated during the decade of the highest percent growth in unincorporated population.

Table 3 shows the percentage of population by jurisdiction over the decades from 1980, 1990, 2000, 2010 and 2020.

**Table 3**  
**Percentage of Population by Jurisdiction**

<b>Jurisdiction</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>
Pima County	536,415 (100%)	668,187 (100%)	848,375 (100%)	981,168 (100%)	1,050,906 (100%)
Unincorporated Areas	192,575 (36%)	244,940 (37%)	305,451 (36%)	353,319 (36%)	365,643 (35%)
City of Tucson	334,042 (62%)	408,821 (61%)	489,183 (58%)	520,795 (53%)	550,878 (52%)
City of South Tucson	6,534 (1%)	5,091 (1%)	5,496 (1%)	5,672 (1%)	5,678 (1%)
Town of Oro Valley	1,532 (0.3%)	7,019 (1%)	30,240 (4%)	40,984 (4%)	46,446 (4%)
Town of Marana	1,733 (0.3%)	2,316 (0.3%)	14,043 (2%)	35,051 (4%)	49,910 (5%)
Town of Sahuarita	N/A	N/A	3,961 (0.5%)	25,347 (3%)	32,351 (3%)

Over time, the City of Tucson population as a percentage of the region, has declined from 62 percent in 1980 to 52 percent in 2020, while the Town of Marana has grown from 1 percent or less in 1980 to now 4 to 5 percent of the region's population percentage. The unincorporated area has stayed relatively the same over this time period. Hence, other than new incorporations, there has been little shift of population between jurisdictions.

II. Annexation and Incorporation brings more State shared revenues to the region, but this Amount and More is Necessary for Services

There is significant belief that annexation or incorporation, particularly by annexing the County's unincorporated population will increase State shared revenues to the region through the addition of State shared revenues including income taxes. While this is true for the newly incorporated or annexed area, Table 4 below shows the impact of local municipal and county State shared revenues if the entire unincorporated population was incorporated.

**Table 4**  
**NET IMPACT ON LOCAL MUNICIPAL AND COUNTY STATE SHARED REVENUES**  
**Net Change In Local City/Town State Shared Revenue with Newly Created City Having**  
**366,996 Persons (Same as Unincorporated Pima County Population on July 1, 2019)**

City/Town	Vehicle License Tax	HURF	Sales Tax	Income Tax	Calculated Net Change In Total Revenues
Tucson	(\$9,660,635)	(\$9,244,286)	(\$3,834,921)	(\$4,257,531)	(\$26,997,373)
South Tucson	(\$100,736)	(\$96,394)	(\$39,988)	(\$44,395)	(\$281,514)
Marana	(\$864,230)	(\$826,984)	(\$343,068)	(\$380,874)	(\$2,415,155)
Oro Valley	(\$811,597)	(\$776,619)	(\$322,174)	(\$357,678)	(\$2,268,068)
Sahuarita	(\$553,844)	(\$529,974)	(\$219,856)	(\$244,084)	(\$1,547,758)
New City/Town With Unincorporated Population	\$11,991,041	\$22,622,834	\$40,523,051	\$45,033,268	\$120,170,194
Net Impact On All Pima County Incorporated Cities	\$0	\$11,148,577	\$35,763,043	\$39,748,706	\$86,660,326
Net Impact to Pima County	(\$16,899,417)	(\$20,266,351)	\$0	N/A	(\$37,165,768)
<b>Total Net Impact to Pima County &amp; Incorporated Cities</b>	<b>(\$16,899,417)</b>	<b>(\$9,117,774)</b>	<b>\$35,763,043</b>	<b>\$39,748,706</b>	<b>\$49,494,558</b>

What starts as a theoretical increase in revenues of \$120 million for the new city or town actually dwindles to \$49 million for the entire region. This net change occurs to all other jurisdictions within the County when the new revenue is taken into account. The increased sharing of State shared revenues by another incorporated or annexed place does not increase overall State shared revenues. It simply divides those existing revenues among all those who would receive a distribution. This means one may gain, but most will lose.

Examining the table related to state shared income tax shows that the regional shared income tax shows that the regional share of income taxes nearly doubles if the unincorporated population is incorporated or annexed. This dramatic change is simply because Counties in Arizona do not receive any state shared income taxes.

The next important question is whether or not, based on this increase of revenue to the region, can the new entity or annexed population be adequately served by these additional revenues? To answer that question, only one line of business will be selected that being law enforcement.

Table 5 below shows the personnel in each jurisdiction's police agency excluding the County (because of the significant number of personnel staff at the jail), the number of personnel within the police agency, their annual budget for last year and the jurisdiction's population. From this, the annual law enforcement cost per unit of population can be determined.

**Table 5**  
**Law Enforcement Personnel and Annual Budgets**

Jurisdiction	Law Enforcement Personnel	Law Enforcement Annual Budget	Population	Law Enforcement Personnel per 1,000 Residents	Law Enforcement Cost per 1,000 Residents
Marana	121	\$14,123,519	49,910	2.42	\$ 282,980
Oro Valley	137	\$17,147,197	46,446	2.95	369,186
Sahuarita	60	\$7,700,720	32,351	1.85	238,037
South Tucson	22	\$2,020,165	5,678	3.87	355,788
Tucson	1,153	\$210,091,880	550,878	2.09	381,376
Average	299	\$50,216,696	137,053	2.64	325,473
<b>Personnel and Budget amounts are from each jurisdictions FY 2020/21 Adopted Budget</b>					

If you took the average of these law enforcement unit costs and applied them to the 366,996 individuals either in a new city or town or an annexed city or town, the annual cost would be \$119.45 million, which is almost exactly the added State shared revenues of \$120 million for that newly incorporated city or town, for one single service, law enforcement.

One could argue that the County, if they had no County population, would not have to field a law enforcement police force. Maricopa County that has a 93 percent incorporated population, and provides law enforcement services to its own unincorporated population, but is also the contracted law enforcement provider for several incorporated cities and towns. Hence, it is likely the Pima County cost for law enforcement would not be significantly reduced if the unincorporated population was reduced. County law enforcement would still be needed for the larger geographic area of the County and rural communities. Even though the Maricopa unincorporated population is seven percent of the of the total Maricopa County population, the budget for the Maricopa Sheriff is \$434 million as compared to the Pima County Sheriff's budget of \$171 million.

Cost and Hence Taxes Needed to Support a New or Expanded Incorporated Place

If this unincorporated population was incorporated into a new city, it would be the State’s 4th largest city, larger than this new city would be Mesa with a population of 504,410. Just below this new city’s population would be Chandler with a population of 272,011. The sixth, seventh and eighth largest cities in Arizona would be Gilbert, Scottsdale and Glendale respectively with populations of 263,461, 250,903, and 244,733

Table 6 below shows this year’s annual budget for each of these jurisdictions. Hence, operating a new city or even if the entire population was annexed by one of the existing cities or towns, the cost to serve such an entity would greatly exceed any increase in State shared revenues.

**Table 6**  
**This Year’s Annual Budget for Each Jurisdiction**

City	Annual Budget FY2021
Mesa	\$1,910,000,000
Chandler	931,336,929
Gilbert	992,839,910
Scottsdale	1,540,400,000
Glendale	906,783,463

One could also argue that this new population would also be subject to a two and a half percent sales tax similar to other cities and towns in Pima County. If such were the case, it is highly likely that there would not be a substantial increase in total local sales tax revenues within the County simply because the unincorporated population is now shopping and spending their money mostly in incorporated places. That would continue; therefore, there would not be any substantial local sales tax revenue from such a new city or town. This confirms that incorporating or annexing this population would likely lead to higher overall local taxes.

III. Assumption that City of Tucson Residents Pay Most of the Sales Tax Receipts to the City of Tucson is Incorrect

When examining sales tax receipts annually by jurisdiction and comparing those receipts on a per capita basis of the jurisdiction, it is obvious there is a huge disparity in sales tax receipts per jurisdiction. Table 7 below shows the jurisdiction, their reported total sales tax receipts for the year 2019-20 their estimated official population for that year and the per capita sale tax receipt per jurisdiction based on their population.

**Table 7**  
**FY2019-20 Municipal/RTA Sales Tax Collections Per Capita**

<b>Jurisdiction</b>	<b>Municipal/RTA Tax Rate</b>	<b>Collections<sup>1</sup></b>	<b>Population<sup>2</sup></b>	<b>Per Capita Collections</b>
RTA (County-wide)	0.5%	\$89,326,341	1,050,906	\$85
Tucson	2.6%	\$351,840,591	550,878	\$639
South Tucson	5.0%	\$3,380,165	5,678	\$595
Marana	2.0%	\$40,069,585	49,910	\$803
Oro Valley	2.5%	\$22,654,650	46,446	\$488
Sahuarita	2.0%	\$10,482,789	32,351	\$324
		\$517,754,121		
Pima County Total Average per Capita				\$493
<sup>1</sup> Sourced from ADOR Annual Report for FY 2020 -				
<a href="https://azdor.gov/sites/default/files/REPORTS_ANNUAL_2020_ASSETS_fy20_annual_report.pdf">https://azdor.gov/sites/default/files/REPORTS_ANNUAL_2020_ASSETS_fy20_annual_report.pdf</a>				
<sup>2</sup> Arizona Dept of Commerce 2020 Population Estimated				
<a href="https://www.azcommerce.com/oeo/population/population-projections/">https://www.azcommerce.com/oeo/population/population-projections/</a>				

Based on this table, it is unlikely that a Town of Marana resident spends twice as much taxable income as a resident of Oro Valley. These different sales tax receipts per capita revenues are simply reflective of residents in the unincorporated area spending taxable income inside a city or town. Clearly, unincorporated area residents pay a significant component of city and town sales taxes.

Our best estimate is that approximately 33 percent to 35 percent of city and town sales taxes are paid by residents and businesses located in unincorporated Pima County. This is based on a 2004 study from the University of Arizona Economic and Business Research Center regarding geographic distribution of taxable sales and purchasing power in Pima County. This geographic description of taxable sales represents where sales occur. The geographic distribution of purchasing power corresponds to the location of households and businesses making the purchases. Conversely, city and town residents pay no Pima County sales tax when they shop outside of municipal limits. The only Countywide sales tax is one for the Regional Transportation Authority (RTA), not Pima County.

Based on this information and this study, it is estimated approximately \$143 million in municipal sales tax last fiscal year were paid by unincorporated residents and businesses to surrounding cities and towns that have a sales tax.

IV. MYTH - Pima County residents are the most Taxed Residents in the State because of the County's High Property Tax and the High Population Living in the Unincorporated Area

It has been assumed Pima County residents are the most taxed residents in the State because of the County high property tax rate and the high population living in the unincorporated area, higher than any other County in Arizona. This assumption is incorrect.

Taxes are taxes are taxes. They can be imposed by any number of jurisdictions within in a County and in a number of different forms ranging from property taxes to sales taxes. Table 8 below shows the property and sales tax burden per capita by Arizona county. The data includes all primary and secondary property taxes levied by all taxing entities, all sales tax collections for all taxing entities, population, the per capita property tax as well as the per capita sales and the total of property and sales taxes. This data is from Fiscal Year 2019/20, hence, it is relatively recent.

**Table 8**  
**Property and Sales Tax Burden Per Capita by Arizona County**  
**Fiscal Year 2019/20**

County	Population <sup>1</sup>	Primary and Secondary Property Tax Levies for All Taxing Entities <sup>2</sup>	Sales Tax Collections for All Taxing Entities <sup>3</sup>	Property Tax Per Capita	Sales Tax Per Capita	Total Property and Sales Taxes	FY2019 Total Taxes Per Capita	FY2020 Total Taxes Per Capita	Rank
Yavapai	234,400	\$ 300,783,377	\$ 167,174,486	\$ 1,283	\$ 713	\$ 467,957,863	\$1,978	\$1,996	1
Coconino	148,400	\$ 171,052,187	\$ 121,071,403	\$ 1,153	\$ 816	\$ 292,123,590	\$1,951	\$1,968	2
Maricopa	4,436,900	\$5,461,008,063	\$3,221,798,972	\$ 1,231	\$ 726	\$8,682,807,035	\$1,941	\$1,957	3
Greenlee	10,700	\$ 18,139,744	\$ 2,655,759	\$ 1,695	\$ 248	\$ 20,795,503	\$1,914	\$1,944	4
Gila	55,100	\$ 76,275,479	\$ 25,625,195	\$ 1,384	\$ 465	\$ 101,900,674	\$1,762	\$1,849	5
Pima	1,050,900	\$1,347,830,609	\$ 525,099,306	\$ 1,283	\$ 500	\$1,872,929,915	\$1,768	\$1,782	6
La Paz	22,000	\$ 25,011,114	\$ 9,141,005	\$ 1,137	\$ 416	\$ 34,152,119	\$1,519	\$1,552	7
Cochise	131,300	\$ 125,061,629	\$ 48,782,262	\$ 952	\$ 372	\$ 173,843,891	\$1,327	\$1,324	8
Mohave	218,300	\$ 213,205,661	\$ 69,718,912	\$ 977	\$ 319	\$ 282,924,573	\$1,261	\$1,296	9
Santa Cruz	53,700	\$ 49,734,162	\$ 16,938,901	\$ 926	\$ 315	\$ 66,673,063	\$1,166	\$1,242	10
Navajo	114,300	\$ 94,721,040	\$ 39,973,268	\$ 829	\$ 350	\$ 134,694,308	\$1,187	\$1,178	11
Pinal	466,200	\$ 398,353,002	\$ 147,539,380	\$ 854	\$ 316	\$ 545,892,382	\$1,147	\$1,171	12
Yuma	231,800	\$ 168,343,555	\$ 94,862,412	\$ 726	\$ 409	\$ 263,205,967	\$1,131	\$1,135	13
Graham	38,600	\$ 25,718,546	\$ 16,893,641	\$ 666	\$ 438	\$ 42,612,187	\$1,070	\$1,104	14
Apache	73,600	\$ 33,572,861	\$ 4,961,259	\$ 456	\$ 67	\$ 38,534,120	\$ 504	\$ 524	15
<b>Statewide</b>	<b>7,286,200</b>	<b>\$8,508,811,029</b>	<b>\$4,512,236,161</b>	<b>\$ 1,168</b>	<b>\$ 619</b>	<b>\$13,021,047,190</b>	<b>\$1,770</b>	<b>\$1,787</b>	

<sup>1</sup>[Arizona Department of Economic Opportunity, July 1, 2020 Medium Population Estimates for All Areas 2018-2055.](https://www.azcommerce.com/oeo/population/population-projections/)

<sup>2</sup>Property tax includes total 2020 primary, secondary, special district tax levies of the State, counties, cities, towns, community colleges, school districts, and fire, flood control, library and other special districts. Data from Tables 37 & 38 of the Arizona Department of Revenue Annual Report FY2020, year ending June 30, 2020.  
[https://azdor.gov/sites/default/files/REPORTS\\_ANNUAL\\_2020\\_ASSETS\\_fy20\\_annual\\_report.pdf](https://azdor.gov/sites/default/files/REPORTS_ANNUAL_2020_ASSETS_fy20_annual_report.pdf)

<sup>3</sup>Sales tax includes retail privilege tax collections for cities and towns, counties (excise, jail, capital projects, road, rental car, hotel, health) and other municipal corporations such as regional transportation and sports/tourism authorities. Data from Tables 5 and 27 of the Arizona Department of Revenue Annual Report FY2020, year ending June 30, 2020.  
[https://azdor.gov/sites/default/files/REPORTS\\_ANNUAL\\_2020\\_ASSETS\\_fy20\\_annual\\_report.pdf](https://azdor.gov/sites/default/files/REPORTS_ANNUAL_2020_ASSETS_fy20_annual_report.pdf)

Pima County ranks sixth among all jurisdictions for total taxes per capita, third for property taxes and fourth for sales taxes even though Pima County has no sales tax, except for the RTA. Some counties have multiple sales taxes such as Coconino County, which ranks the highest in sales taxes.

Our present combined primary and secondary property tax rate is \$5.3108 per \$100 of net assessed value which compares to the next highest in the State, which is Santa Cruz County at \$4.7778. Even though we have a high property tax rate and the highest unincorporated population, we still rank sixth among all counties for total local property and sales tax burden. Hence, Pima County is not the highest taxed county in Arizona.

V. Who Pays the Most Property Taxes in Pima County?

Aggregate property taxes are primarily a function of assessed value and tax rate, which combine to yield the total tax levy. Knowledge of both are necessary to determine relative property tax burdens based on the total tax base. Table 9 below shows the percent and distribution of total taxable value within each jurisdiction. This includes all centrally assessed properties (by the State) and locally assessed (by the County Assessor).

**Table 9  
2021 Percent and Distribution of Total Taxable Value Within Each Jurisdiction**

<b>Jurisdiction Tax Base</b>	<b>2021 Taxable Net Assessed Valuation</b>	<b>% of Overall County Taxable Net Assessed Valuation</b>
Marana	\$ 671,072,055	6.9210%
Oro Valley	758,352,130	7.8212%
Sahuarita	295,801,166	3.0507%
South Tucson	24,975,636	0.2576%
Tucson	3,962,584,979	40.8676%
Unincorporated Pima County	3,983,364,389	41.0819%
Total County Tax Base	\$ 9,696,150,355	100.0000%
Note: Unincorporated Pima County computed as Total County Tax Base less incorporated area taxable net assessed valuations.		
<i>Source: Pima County Clerk of the Board of Supervisors, 2021 Abstract of Values By Legislative Class of Property, February 10, 2021. Total Pima County and City of Tucson reflect valuations from levy limit worksheets.</i>		

To obtain better information with regard to the property tax burden on individual families, it is appropriate to examine the various classes and their value that makes up the total tax base. Table 10 below is a listing by class of property and the percent of the total tax base each class represents.

**Table 10**  
**List by Class of Property and the Percent of the Total Tax Base Each Class Represents**

Jurisdiction Tax Base	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total	2021 Taxable Net Assessed Valuation
Marana	\$150,602,087	\$ 37,956,673	\$ 347,040,570	\$ 132,663,825	\$ 2,808,900		\$ 671,072,055	\$ 671,072,055
Oro Valley	109,684,923	33,984,180	448,111,469	166,571,558			758,352,130	758,352,130
Sahuarita	40,086,514	10,350,968	185,178,358	60,036,267	149,059		295,801,166	295,801,166
South Tucson	16,004,693	911,210	4,047,526	4,012,207			24,975,636	24,975,636
Tucson	1,482,545,244	85,243,178	1,456,575,499	885,210,193	3,851,419	48,787,366	3,962,584,979	3,962,584,979
Unincorporated Pima County	851,265,659	141,524,425	2,268,331,056	710,080,247	6,274,544	5,741,380	3,983,364,389	3,983,364,389
Total County Tax Base	\$2,650,189,120	\$ 309,970,634	\$4,709,284,478	\$1,958,574,297	\$13,083,922	\$54,528,746	9,696,150,355	\$9,696,150,355

Those classes of property that most directly relate to individual families are in Class 3 and 4, which is owner-occupied residential and rental residential classes. Table 11 below shows the jurisdictional distribution of locally assessed values for Class 3 and 4 properties by jurisdiction and each jurisdiction's percent of the total sum of Class 3 and 4 valuations.

**Table 11**  
**2021 RESIDENTIAL Property Tax base by Jurisdiction**

Jurisdiction Tax Base	Class 3	Class 4	2021 Taxable Net Assessed Valuation for Residential	% of Overall County Taxable Net Assessed Valuation for Residential
Marana	\$ 347,040,570	\$ 132,663,825	\$ 479,704,395	7.1943%
Oro Valley	448,111,469	166,571,558	614,683,027	9.2186%
Sahuarita	185,178,358	60,036,267	245,214,625	3.6776%
South Tucson	4,047,526	4,012,207	8,059,733	0.1209%
Tucson	1,456,575,499	885,210,193	2,341,785,692	35.1205%
Unincorporated Pima County	2,268,331,056	710,080,247	2,978,411,303	44.6682%
Total County Tax Base	\$ 4,709,284,478	\$ 1,958,574,297	\$ 6,667,858,775	100.0000%

Note: Unincorporated Pima County computed as Total County Tax Base less incorporated area taxable net assessed valuations.

Source: Pima County Clerk of the Board of Supervisors, 2021 Abstract of Values By Legislative Class of Property, February 10, 2021. Total Pima County and City of Tucson reflect valuations from levy limit worksheets.

Of the \$9.7 billion tax base, \$6.7 billion is residential or 69 percent of the total tax base. Hence, residential property owners and renters pay most property taxes. Among the jurisdictions, the unincorporated area has 45 percent of this tax base followed by the City of Tucson at 35 percent. Therefore, it is likely the unincorporated residential property owner or renter pays a substantial amount of the property tax revenues of the County, more than these same individuals in cities and towns.

Of significance, this property tax structure would not change through annexation or incorporation. Residential property owners will continue to pay the amount of property taxes previously identified. A new community could also assess a property tax that would increase their tax burden. For annexed areas, the only incorporated community that has a property tax in the City of Tucson; therefore, property annexed by the City of Tucson would pay additional property taxes. Presently, the combined property tax rate of the City of Tucson is \$1.3573 or 26 percent of the combined County property tax. It is possible that fire district secondary tax would decrease upon annexation. However, Marana, Oro Valley and Sahuarita do not have a fire department and continue to rely on the fire district for service.

#### VI. MYTH - Pima County has the Highest Debt of any County in Arizona

Again, this is an incorrect assumption. The debt of a county is not simply the debt of a county government, but all jurisdictions of a county that issue debt, including school districts, cities and towns, fire districts, special districts and others.

Table 12 below shows the 2020 aggregated per capita debt by county. The County with the highest aggregate debt is Maricopa County followed by Pima County. The debt per capita for Maricopa County residents is 56 percent higher than that of Pima County residents.

**Table 12**  
**FY 2020 Per Capita Debt by County or State**

County or State	Current Outstanding Principal	Current Per Capita Debt	Prior Year Outstanding Principal	Prior Per Capita Debt
Maricopa	\$18,773,796,664	\$4,298	\$17,303,296,804	\$4,029
Pima	\$2,874,250,424	\$2,751	\$2,990,604,301	\$2,892
Yavapai	\$499,848,950	\$2,151	\$468,863,349	\$2,048
Santa Cruz	\$107,578,998	\$2,024	\$98,960,519	\$1,889
Mohave	\$409,694,047	\$1,888	\$424,548,238	\$1,994
State	\$12,432,473,977	\$1,729	\$12,810,723,709	\$1,810
Pinal	\$691,479,442	\$1,519	\$632,011,636	\$1,434
Graham	\$51,611,121	\$1,341	\$45,133,835	\$1,184
Gila	\$66,325,653	\$1,202	\$57,551,672	\$1,047
Yuma	\$276,281,160	\$1,201	\$293,573,909	\$1,304
Cochise	\$128,552,832	\$983	\$130,542,973	\$1,002
Coconino	\$144,441,177	\$981	\$140,399,943	\$965
Navajo	\$107,401,534	\$952	\$118,953,330	\$1,055
La Paz	\$5,405,413	\$245	\$5,816,427	\$266
Apache	\$15,304,138	\$213	\$18,873,726	\$257
Greenlee	\$1,817,166	\$175	\$1,914,382	\$182
<b>Grand Total</b>	<b>\$36,586,262,696</b>		<b>\$35,541,768,753</b>	

When examining the Maricopa debt closer, Maricopa County has no debt and the combined cities and towns of Maricopa County debt is \$12.6 billion or 68 percent of total Maricopa County debt. In large part, Pima County debt is related to infrastructure investment of regional services such as wastewater reclamation or sewer.

Local jurisdiction and county debt is also available from the State. Table below shows the jurisdiction, total outstanding debt and the per capita debt of each jurisdiction. Pima County ranks fifth in the list of per capita local debt.

**Table 13:  
FY2020  
Per Capita Debt in Pima County**

Jurisdiction	Per Capita Debt
South Tucson	\$2,181
Marana	\$1,877
Tucson	\$1,320
Sahuarita	\$1,272
Pima County	\$820
Oro Valley	\$772

The two components of our aggregate debt that significantly increase our per capita debt are related to the County owning and operating a regional wastewater utility and highway bonding. Pima County is the only County in Arizona to do both of these. We are the only county in Arizona to operate a wastewater reclamation system. In addition, we are the only County in Arizona to ever issue HURF revenue bonds. Both of these debt instruments are making capital improvements, both inside and outside of cities and towns. Hence, our debt is artificially high for these reasons. However, it is also being rapidly reduced. The tax rate for secondary debt service has varied as high as \$1.1091 during Fiscal Year 1991/92 to now as low as 45 cents per \$100 of assessed value for this coming fiscal year. This rapid debt reduction is based on County adopted policy of Pay-as-You-Go (PAYGO) capital financing, which is in its third year of implementation. Within the next seven years, the secondary property tax for debt service will be near zero.

Below is a table that identifies County debt outstanding by specific purpose as of June 30, 2013 and June 30, 2020.

**Table 14  
County Debt Outstanding**

	As of 6/30/2013	As of 6/30/20	Difference
General Obligation	\$456,690,000	\$174,910,000	(\$281,780,000)
Sewer	639,939,146	453,890,000	(186,049,146)
HURF	126,015,000	76,105,000	(49,910,000)
COPs	127,735,000	150,810,000	23,075,000
<b>Total</b>	<b>\$1,350,379,146</b>	<b>\$855,715,000</b>	<b>(\$494,664,146)</b>

As the data demonstrates, the total debt of Pima County has decreased by approximately \$500 million in the last 6 years.

## VII. Summary

In summary, the population growth of the unincorporated area occurred between 1960 and 1970 or 50 to 60 years ago and this population has not annexed into an existing city or town or created any new city or town. The population of the unincorporated area has not declined since 1960 and today is at least 365,643 persons and if a city or town, the area would be the fourth largest city in Arizona.

If this unincorporated population would become a city, the new city would receive \$120 million in state shared revenues, primarily from State shared income taxes. However, because the new community would reduce state shared revenues from other cities, towns and the County, new regional revenues would drop from \$120 million to \$49 million. The new community would spend new revenues almost entirely on a police function, simply meaning the new community would need to raise revenues through new local taxes to simply break even when providing municipal services.

This new city could not even support their services through a city sales tax since almost all of the new residents or former unincorporated residents are now paying sales taxes to existing surrounding communities. Hence, simply incorporating County unincorporated residents will not create more or additional sales tax revenues.

Based on available state tax data, the Pima County's high property tax and high unincorporated population does not result in County residents being the highest taxed in Arizona. Data proves Pima County ranks sixth in total local levied sales and property taxes.

From time to time there have been statements or claims about what group pays most of the property taxes to the County. Based on the composition of the tax base the residential property owner or renter living in the unincorporated area pays the largest share of County property taxes. This, along with the sales taxes paid by unincorporated residents means these individuals contribute significantly to the revenue budget of cities and towns as well as that of the County.

Finally, Pima County debt to support a large unincorporated population is not the highest in Arizona. Maricopa County, the county with the most incorporated places, has substantially more debt than Pima County. The city or town debt in Maricopa County is approximately \$12.6 billion or 67 percent of all Maricopa debt as compared to the total debt of all Pima County jurisdictions at \$2.8 billion.

Trying to justify annexation or incorporation on the basis of increased State shared revenue or lower taxes does not make a lot of sense since the net increase of State shared revenues will not even support law enforcement services in the new or annexed city or town and local taxes will have to be increased to provide municipal services.

The primary reason for either annexation or incorporation is simply self-determination. Areas become annexed because they want to belong to a certain community or they are required to do so because of a specific desired city or town service. Those who want to incorporate largely do so for their ability to control their future particularly if they feel they will be better able to do so as opposed to remaining in an unincorporated area of the County.