



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

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Purpose

To establish Pima County policy for determining the annual primary property tax levy for funding General Fund capital improvement projects on a Pay-As-You-Go basis, as well as the amount allocated to road repair.

Policy

A. Revenues

The Board of Supervisors supports the transition from voter-authorized general obligation bond funding of capital improvement projects to a pay-as-you-go (PAYGO) program as part of the General Fund. This PAYGO program will be funded by primary property tax revenues as calculated below and transferred from the General Fund to the Capital Projects Fund, under a unit called the General Fund Capital Improvement Fund.

The primary property taxes to be levied annually will include a PAYGO component based on the sum of the following:

1. Sixty Percent of the Cumulative Decrease in Secondary Property Tax Rate for Debt Service. As the secondary property tax rate for debt service of general obligation bonds decreases, 60 percent of the cumulative decrease will be added to the primary property tax levy. This will be calculated by multiplying 60 percent of the cumulative decrease in the tax rate since Fiscal Year 2019/20 by the applicable year's primary property tax base (Taxable Net Assessed Value of property) divided by 100.
2. Sixty Percent of the Increase in the Primary Property Tax Base. As the primary property tax base (Taxable Net Assessed Value of property) grows, 60 percent of the increase will be added to the primary property tax levy. This will be calculated by multiplying the increase in the primary property tax levy from the prior year by 60 percent.

Both PAYGO levy amounts will be combined to determine the total amount of primary property taxes to be levied annually for PAYGO and the revenues will be deposited into the General Fund Capital Improvement Fund.



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An example of this calculation is shown below for Fiscal Year 2020/21:

	FY19-20	FY20-21
Debt Service Secondary Property Tax Rate per \$100 TNAV ¹	0.690	0.520
Debt Service Secondary Property Tax Rate Decrease	-	0.170
Cumulative Decrease Since FY19-20		0.170
60% of Cumulative Decrease		0.102
Primary TNAV/100 ²	85,177,100	89,964,001
Subtotal: PAYGO Levy based on 60% of Cumulative Secondary Tax Rate Decrease Since FY19-20³		9,176,328
Primary Tax Levy TNAV Increase from Prior Year ⁴		19,953,148
Subtotal: PAYGO Levy based on 60% of Primary Tax Levy TNAV increase from Prior Year⁵		11,971,889
Total: Total PAYGO Levy		21,148,217

The County Administrator shall include recommendations within the annual Recommended Budget and the Tentative Budget consistent with this policy for allocations to and expenditures from the General Fund Capital Improvement Fund.

¹ Secondary property tax rate necessary to pay principal and interest payments for all County outstanding general obligation bond debt, per \$100 of Taxable Net Assessed Value.

² Assumes the primary tax base (Taxable Net Assessed Value/TNAV) grows between 5.62% and 3.86% for FY20-21 through FY23-24, and 2% thereafter, with a collection rate of 97.5687%.

³ 60% of the cumulative decrease in the secondary tax rate since FY19-20 multiplied by the applicable year's primary property tax base (TNAV) divided by 100.

⁴ Primary tax levy increase from prior year assuming the primary tax base (TNAV) grows between 5.62% and 3.86% for FY20-21 through FY23-24, and 2% thereafter, with a collection rate of 97.5687%.

⁵ As the primary property tax base grows, 60% of the growth per year is dedicated to PAYGO.



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Because of constitutionally imposed expenditure limits, this PAYGO program may include the issuance of short-term three-year debt instruments, such as Certificates of Participation, repaid with revenues from the General Fund Capital Improvement Fund. This short-term financing meets the definition of debt and allows an appropriate offset to the annually calculated expenditure limit. Projects funded from the issuance of short-term debt repaid with revenues from the General Fund Capital Improvement Fund will be identified separately from the projects funded directly.

B. Project Selection

The Board of Supervisors will continue to review and approve an annual list of capital improvement projects as part of the annual budgeting process. The capital improvement projects recommended for funding from the General Fund Capital Improvement Fund will be clearly identified in the Recommended Budget and the Tentative Budget, as well as any other budget materials the Board receives.

The Board of Supervisors acknowledges the need for additional funding for road repair and supports allocating \$10 million in Fiscal Year 2020/21 from the General Fund Capital Improvement Fund for road repair, and increasing that allocation by \$5 million a year until the amount is \$25 million a year or until the Board finds such an allocation is no longer necessary.

Adoption Date: November 5, 2019

Effective Date: November 5, 2019