



Board of Supervisors Memorandum

May 17, 2022

Tentative Budget Adoption: Fiscal Year 2022/23

Background

Pursuant to State statute, the Board of Supervisors is required to adopt a Tentative Budget to establish a maximum ceiling for the County budget. Adoption of the Tentative Budget serves to set the maximum County expenditure ceiling and establish maximum tax rates. Prior to the final budget adoption on June 21, 2022, the Board may reallocate expenditures and revenues among departments differently than set forth in the Tentative Budget and may decrease expenditures, as well as corresponding tax rates.

Status Report

My original recommendations were included in my transmittal of the Recommended Budget to the Board of Supervisors on April 29, 2022. The Recommended Budget included \$1,937,895,362 of combined County expenditures; \$685,075,210 of this amount represents General Fund expenditures.

Proposed Tentative Budget Adjustments

General Fund

The Proposed Tentative Adopted Budget now includes the following proposed adjustments to General Fund departments made since my April 29, 2022 Recommended Budget was submitted to the Board of Supervisors:

Revenues

- Pima Animal Care Department revenues have been reduced by \$5,182,383 pursuant to the Board of Supervisors approval regarding Intergovernmental Agreements for the Provision of Animal Care and Related Services at their April 19, 2022 meeting. At that Board meeting, it was also recommended that licensing fee revenues be retained. The decrease in revenue is offset by a \$5,182,383 reduction in the General Fund Reserve.

Expenditures

- As mentioned above, pursuant to the Board of Supervisors approval regarding Intergovernmental Agreements for the Provision of Animal Care and Related Services at their April 19, 2022 meeting, expenses to the Pima Animal Care Department were reduced by \$988,000 as it was recommended that licensing fee revenues be retained and not be remitted to the partnering jurisdictions. The decrease in expenditures is offset by a \$988,000 increase in the General Fund Reserve.

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- At the Board of Supervisors April 19, 2022 meeting, \$500,000 was approved for the Education Reimbursement Program to provide educational reimbursement to help retain employees by fostering their professional development, attracting career-minded talent, and boosting our employer brand. Although this reallocation has a neutral effect on total General Fund budgeted expenditures, it does decrease the General Fund Reserve by \$500,000.

General Fund Budget Reserve

The Tentative Ending Fund Balance will be \$41,177,804 or 6.2 percent of the Tentative General Fund revenues and operating transfers in. This is a \$4,694,383 reduction from the Recommended Budget Ending Fund Balance of \$45,872,187. In addition to the Ending Fund Balance noted above, the Recommended Budget included a \$10 million Emergency Reserve plus a \$3 million reserve for Inflation, Fuel and Security within the Finance Contingency budget to fund any unanticipated expenditures.

As a result of the changes above, the General Fund's proposed tentative net expenditures will be \$679,892,827.

Combined County Budget

The combined total County property tax rate is \$5.0652, a decrease of \$0.1300 per \$100 of taxable net assessed value from the Fiscal Year 2021/22 combined rate. The combined levies produced by this rate will increase by \$9.4 million or 1.9 percent from the current year.

The combined primary and secondary property taxes levied by the County fund 26.4 percent of the total County recommended expenditures.

The combined overall County Proposed Tentative Budget for Fiscal Year 2022/23 is \$1,932,712,979 and is \$182,887,228, or 8.6 percent less than the current year. As stated in the Recommended Budget, the FY2021/22 County's budget exceeded \$2 billion in expenditures. This was primarily due to the inclusion of \$300 million within the General Fund to pay a portion of the unfunded liabilities for the Public Safety Personnel Retirement System and Correction Officer Retirement Plan and \$350 million within the Grants Contingency fund for COVID-19 related grants. This year reflects the County's transition out of the COVID-19 pandemic response and the return to a new normal. The FY2022/23 Budget will have a similar approach in regards to grants by reserving \$250 million within the Finance Grants Contingency fund for the Infrastructure Investment and Jobs Act and any other unforeseen or emergency grants.

Prior to final adoption of the budget on June 21, 2022, I will transmit to the Board any other recommended adjustments to the Tentative Budget that may be necessary to incorporate the most recent information available to project this year's General Fund ending fund balance and next year's revenues and expenditures. I will develop any such recommended adjustments within the tax rates presented within the Proposed Tentative Budget to the

Board, which are the tax rates listed in the table below.

Recommended Fiscal Year 2022/23 Budgets and Tax Rates

The table below outlines both the Fiscal Year 2022/23 expenditure budgets and tax rates I propose for Fiscal Year 2022/23 based on the information contained in this memorandum. Should the Board at the time of tentative adoption take action to increase County expenditures beyond those included in the Proposed Tentative Adopted Budget, the budget ceiling and/or the tax rate may increase above the amounts listed below.

Proposed Tentative Tax Rates		
Fiscal Year 2022/23 Budget	Budgeted Expenditures	Tax Rate
Total County Budget	\$1,932,712,979	\$5.0652
Primary Property Tax:		
General Fund Primary	679,892,827	\$3.8764
Secondary Property Taxes:		
County Free Library District	46,600,637	\$0.5453
Regional Flood Control District	18,475,401	\$0.3235
Debt Service	99,266,568	\$0.3200
Stadium District	\$8,824,807	

According to the State’s Property Tax Oversight Commission, Pima County’s neutral Fiscal Year 2022/23 Primary Levy is \$381,979,676. The proposed combined General Fund primary levy is \$392,781,054. State statute defines a neutral levy as a levy containing no increase that results from any increase in the value of existing property in the County due to market appreciation. **Under the proposed tentative primary property tax rate, as presented, the County will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption (Attachment 1).**

In 2015, the State Legislature passed legislation making the County Library and Regional Flood Control Districts secondary property tax levies subject to Truth in Taxation requirements similar to the requirements already 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 neutral secondary levy is \$52,750,443. The proposed secondary levy is \$55,253,201. **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 (Attachment 2).**

The Regional Flood Control District’s neutral secondary levy is \$29,658,203. The proposed

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secondary levy is \$29,639,879. **Pursuant to statute, the District will not be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing prior to the final budget adoption.**

Following the Board's adoption of the Tentative Budget, the County is required to publish the Tentative Budget in a format prescribed by the Arizona Auditor General. The budget, presented in the required format, is attached to this memorandum (Attachment 3).

Total County Revenue

Proposed Fiscal Year 2022/23 General Fund revenue totals are \$652,935,604, which is a \$5,182,383 reduction to the earlier Recommended Budget amount.

County-wide Proposed Tentative Adopted Budget revenue totals are \$1,650,438,149, which reflects the reduction mentioned above.

Total Full Time Equivalents

Proposed Fiscal Year 2022/23 full time equivalent positions remain at the earlier Recommended Budget amount of 7,247.

Recommendation

I recommend the Board of Supervisors tentatively adopt the Fiscal Year 2022/23 Budget as presented to the Board in the April 29, 2022 memorandum – Transmittal of the Recommended Fiscal Year 2022/23 Budget and the updated Proposed Tentative Adopted Budget, including the changes described in this memorandum.

Sincerely,



Jan Lesher
County Administrator

JKL/anc – May 12, 2022

Attachments

- c: 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
- Andy Welch, Deputy Director, Finance and Risk Management
- Xavier Rendon, Budget Division Manager, Finance and Risk Management