



# Board of Supervisors Memorandum

May 25, 2004

## Tentative Budget Adoption: Fiscal Year 2004/2005

### Background

Pursuant to State Statute, the Board 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 a maximum tax rate for the legally required Truth in Taxation Notification. Prior to final adoption on June 15, 2004 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

Since transmittal of the Recommended Budget on April 30, 2004 nothing has changed that requires amendments to the Tentative Budget prior to adoption.

The recent issues raised by the Courts and Sheriff's staff at the Budget hearing are under study and additional information will be transmitted to the Board prior to Final Adoption. Even if ultimately additional funding is recommended for these requests, I will do so only if an equal amount of funding is recommended for reduction elsewhere in the Recommended Budget.

While the State budget has yet to be finalized, indications are that the Recommended Budget includes all of the proposals that would pass costs on to the County currently under consideration by the Legislature. Anything is possible of course and if additional cost shifts by the State occur they will be covered by further reductions elsewhere in the Recommended Budget.

One item that would add a significant amount to the Recommended Budget would be Board approval of the City of Tucson Manager's recommendation that the County cover the City's portion of the Library System budget. This amount is \$9.7 million, and to take on this additional expense would require an increase in the Recommended Budget of that amount and a near doubling of the Library District tax rate from the current rate of \$0.2124 to \$0.3984. I do not recommend that the Board fund the Manager's request, however, if you choose to do so the amounts for the total County Budget and the County Free Library District Budget as well as the Library District Tax Rate recommended below for tentative adoption must be correspondingly increased.

Prior to final adoption of the Budget on June 15, 2004 I will transmit to the Board any recommended adjustments to the Recommended Budget that may be warranted based on the most recent information available to project this year's General Fund ending fund balance and next year's revenues and costs. I intend to develop any such recommended adjustments within the tax rates previously recommended to the Board which are the tax rates currently in effect. Any necessary adjustments to the Recommended Budget transmitted to the Board prior to final adoption will be accommodated within the maximum budget amounts originally recommended to the Board on April 30, 2004 and set forth below.

**Recommended Fiscal Year 2004/2004 Budgets and Tax Rates**

The table below outlines the budgets and tax rates that I recommend for Fiscal Year 2004/2005. They are the same as those originally recommended to the Board on April 30, 2004. Should the Board at the time of tentative adoption take action to increase County expenditures beyond those included in the recommended budget below, the budget ceiling and/or the tax rate may increase above the amounts listed below.

<b><u>Fiscal Year 2004/2005 Budget</u></b>	<b><u>Budget</u></b>	<b><u>Tax Rate</u></b>
Total County Budget	\$1,097,721,546	\$4.0720
County Free Library District	10,518,681	0.2124
Flood Control District	7,438,339	0.3546
Debt Service	62,048,033	0.8150
Stadium District	1,481,654	-----

According to the Assessor's April 12, 2004 memorandum, Pima County's neutral 2004 Primary Levy will be \$212,041,306. Under the recommended budget the County will exceed the neutral levy and will be required to issue a Truth in Taxation Notice and hold a Truth in Taxation public hearing. Even though the primary tax rate will remain the same, the overall levy will increase by 4.27 percent because increases in the market value of some individual properties equates to an increase in assessed value. Preliminary calculations based upon the recommended budget for the Truth in Taxation Notice are contained in Attachment 1. They indicate that the proposed average increase in primary taxes on a hypothetical \$100,000 home is \$17.26. This is somewhat misleading, however, as the actual impact on individual properties will vary on a case-by-case basis depending upon adjustments to assessed value during this year's valuation cycle. For example, if a home was valued by the Assessor at \$100,000 this fiscal year, no adjustments to valuation occurred and the value remains \$100,000 next fiscal year, then that homeowner will pay no additional primary property tax under this Recommended Budget.

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. Attachment 2 presents the budget in the required format.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/sp

Attachments

## TRUTH IN TAXATION HEARING

### NOTICE OF TAX INCREASE

In compliance with A.R.S. §42-17107, Pima County is notifying its property taxpayers of Pima County's intention to raise its primary property taxes over last year's level. Pima County is proposing an increase in primary property taxes of \$9,050,328 or 4.27%.

For example, the proposed tax increase will cause Pima County's primary property taxes on an \$100,000 home to increase from \$389.94 (Total taxes that would be owed without the proposed tax increase) to \$407.20 (Total proposed taxes including the tax increase).

This proposed increase is exclusive of increased primary property taxes received from new construction. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget and tax overrides.

All interested citizens are invited to attend the public hearing on the tax increase that is scheduled to be held on Tuesday, June 15, 2004, at 9:00 a.m. or thereafter in the Board of Supervisors Hearing Room, Pima County Administration Building, 130 W. Congress, 1st Floor, Tucson, Arizona. The Board of Supervisors has the option to vote for an actual increase which would be less than the proposed amount stated above.

**Note: The final paragraph of this memorandum, Tentative Budget Adoption: Fiscal Year 2004/05, May 25, 2004, makes reference to the publication of the Tentative Budget, “. . . in a format prescribed by the Arizona Auditor General” and indicates that the format is presented in Attachment 2. However, these pages, which show the estimates of revenues and expenditures/expenses, have been withdrawn, since they replicate the information provided in the section labeled State Reports. Please refer to the tab labeled State Reports for the estimates of revenues and expenditures/expenses.**