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# MEMORANDUM

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Date: January 5, 2015

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

From: C.H. Huckelberry  
County Administrator 

Re: **Maricopa and Pima County Primary Property Tax Comparisons**

At face value, the Primary Property Tax of Pima County, \$4.28 per \$100 of assessed value, appears over three times higher than the Primary Property Tax rate of Maricopa County, which is \$1.32. Direct comparison is a simplistic analysis that does not account for the structurally different revenue sources available to each county.

Attached is a detailed analysis of these rates and why they are substantially closer than they would appear at face value. In fact, Pima County's adjusted Primary Property tax rate would be \$1.96, if Pima County had 1) the same revenue sources, 2) a similar unincorporated population, 3) the same per capita assessed value, and 4) received an equal proportionate per capital same share of State-shared sales taxes and vehicle license taxes.

Revenues Available to Maricopa County, but not Pima

**Jail.** Pima County funds its Adult and Juvenile Detention Facilities through the Primary Property Tax rate. In Maricopa County, many of these same costs are paid for through a sales tax. Adjusting only for this difference in available revenues would reduce our Primary Property Tax rate by nearly \$1.00.

**Hospital.** For many years, Maricopa County paid for their hospital from their Primary Property Tax rate. Maricopa requested and received special legislation allowing the operation of Maricopa's hospital to be transferred to a newly created special taxing district, the Maricopa Special Healthcare District, funded through a secondary property tax, similar to our Library District. In Pima County, General Fund support for The University of Arizona Medical Center-South Campus, soon to be merged with Banner Healthcare, is paid for through our Primary Property Tax. Transferring our hospital obligations to a secondary tax rate would certainly lower our Primary Property Tax rate.

In addition, voters in Maricopa County recently approved a \$935 million bond issue for community healthcare facilities to be financed by the issuance of General Obligation bonds with a 30-year repayment period. This single issue approved by the voters in Maricopa County is double Pima County's outstanding debt on \$1.3 billion in General Obligation

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bonds issued through 10 bond authorizations over a 40-year period. The estimated tax rate to repay these bonds approved by Maricopa County voters is nearly as much as the Primary Property Tax rate of Pima County to finance \$15 million in annual support of our leased hospital operation to the Arizona Board of Regents.

*Unincorporated Population.* Our high unincorporated population of approximately 362,000 means the County provides the same services cities and towns do for a city of this size. If our unincorporated population was a city, it would be ranked the fourth largest city in Arizona. Providing certain General Fund services to this unincorporated population, such as parks and law enforcement, increases our Primary Property Tax rate. In Maricopa County, the cost of these services is much lower, since only seven percent of Maricopa's population lives in the unincorporated area.

*State-shared Revenues.* Finally, State methodology regarding assessed values, State-shared sales tax and vehicle license revenues leads to a higher primary property tax rate in Pima than in Maricopa.

In summary, if all of these factors are considered, Pima County's adjusted Primary Property tax rate would decrease to \$1.96 versus Maricopa's \$1.32, which would be substantially similar.

CHH/anc

Attachment

c: Tom Burke, Director, Finance and Risk Management

**Primary Property Tax Rate for Fiscal Year 2014/15  
Maricopa County vs Pima County**

	<u>Rate</u>	<u>Levy</u>
<b><u>Maricopa County</u></b>		
Primary Property Tax	\$1.3209	\$442,762,977
Jail Excise Tax (Sales Tax)		\$141,295,781
Maricopa County Special Health Care District (Secondary Property Tax) *		\$65,124,108
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	\$1.3209	

\*Maricopa County Special Health Care District Levy is the 2015 levy from June 25, 2014.

**Pima County**

Primary Property Tax	\$4.2779	\$321,633,141
1. Adjust for Adult and Juvenile Detention (a)	<hr/>	
	\$0.9656	\$72,600,838
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	\$3.3123	
2. Adjust for U of A Medical Center South Campus Subsidy (b)	<hr/>	
	\$0.1995	\$15,000,000
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	\$3.1128	
3. Adjust for Per Capita Difference in Net Assessed Value (c)	<hr/>	
	\$0.4773	\$35,882,154
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	\$2.6355	
4. Adjust for high unincorporated population (d)	<hr/>	
	\$0.4036	\$30,341,058
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	\$2.2319	
5. Adjust for lower Per Capita State Shared Sales Tax Revenue	<hr/>	
	\$0.1442	\$10,844,789
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	\$2.0877	
6. Adjust for lower Per Capita Vehicle License Tax Revenue	<hr/>	
	\$0.1256	\$9,445,630
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Pima County's Adjusted Tax Rate	\$1.9621	

**Face Value of Difference in Primary Tax Rate**

Pima County's Adopted Primary Property Tax Rate =	\$4.2779
Maricopa County's Adopted Primary Property Tax Rate =	\$1.3209
Face Value Comparison (Pima Rate/Maricopa Rate) =	3.24

By using a direct face value comparison of the two tax rates, it appears that Pima County's tax rate is 3.24 times higher than Maricopa County's tax rate.

**Adjusted Primary Tax Rate (Difference)**

Pima County's Adjusted Adopted Primary Property Tax Rate =	\$1.9621
Maricopa County's Adopted Primary Property Tax Rate =	\$1.3209
Consistent Value Comparison (Pima Adjusted Rate/Maricopa Rate) =	1.49

By using an adjusted rate for Pima County that takes into account the different revenue streams and makes for a more consistent comparison between the two rates, one can conclude that Pima County's rate, while higher, is not all that much greater than Maricopa County's rate. A deeper analysis may push this difference even lower.

### **Notes**

(a) Maricopa County has separate revenue streams for Adult and Juvenile Detention in the form of a Jail Excise Tax. Pima County does not have this capability and must include these costs when calculating the primary property tax rate. This item impacts Pima County's rate by \$0.9656.

(b) Maricopa Hospital costs are under the secondary property tax base as a separate special district. Pima County must include these costs when calculating the primary property tax rate. This item impacts Pima County's rate by \$0.1995.

(c) Maricopa County's per capita primary net assessed value is 12.56% higher than Pima County's. Pima County has to levy an additional \$0.4773 to collect the same amount of tax revenue per capita.

(d) 93% of Maricopa County's population lives in incorporated areas versus 64% of Pima County's population. Pima County's primary tax rate includes the cost of many urban-type services to 36% of the County's total population versus 7% for Maricopa County. Two of the largest unincorporated costs in the General Fund are for Law Enforcement and Parks and Recreation. This analysis takes a 30,341,058 premium for the unincorporated population. This equates to \$0.4036 on the primary property tax rate.

(e) Maricopa County receives more State Shared Sales Tax revenue and Vehicle License Tax revenue on a per capita basis than Pima County does so Pima County charges a higher property tax to make up the difference. The smaller amount of State Shared Sales Tax impacts Pima County's primary tax rate by \$.1442 while the reduced Vehicle License Tax revenue impacts the tax rate by \$.1256.

### **Maricopa County Special Health Care District**

In the November 2014 General Election, Maricopa voters approved a \$935 million bond issue for community healthcare facilities needs, including the replacement of the Maricopa Medical Center, its Level 1 Trauma Center and the Arizona Burn Center.

The estimated total cost of the bond authorization, including principal and interest over the 30-year repayment period, is \$1.634 billion.

The estimated annual property tax rate increase over the life of the repayment period is \$0.1374, a 10.4-percent increase over the current rate.