



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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C.H. HUCKELBERRY
County Administrator

June 19, 2014

Mr. Lawrence Lucero
Senior Director, Government Relations
and Economic Development
UNS Energy Corporation
P. O. Box 711
Tucson, Arizona 85702

Re: Your June 13, 2014 Letter to the Chair of the Board of Supervisors Regarding the County Budget

Dear Mr. Lucero:

The Chair of the Board of Supervisors asked that I respond to your June 13, 2014 letter. We certainly appreciate your concerns regarding this property tax increase. If there were any reasonable alternatives, we would certainly have preferred those.

First, the approved property tax rate increase is 12.2 percent, not 16.7 percent, as stated in your letter.

While you concentrated on our tax rate, what has not been considered is the history of our actual tax levy and assessed value. The total County tax rate for FY 2014/15 will be \$5.72 based on an assessed value of \$7.518 billion. Our combined rate in FY 2009/10 was \$4.55, but that rate was based on an assessed value of \$8.985 billion. We have decreased the combined property tax levy from \$418 million in FY 2010/11 to \$383 million in FY 2013/14.

If normalized for growth and inflation, it would be clear our total tax levy in 2010 yielded tax revenue of \$465 per capita. The approved rate will yield a per capita tax of \$426 in 2015.

Mr. Lawrence Lucero

Re: **Your June 13, 2014 Letter to the Chair of the Board of Supervisors Regarding the County Budget**

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Over the last four years, we have decreased property taxes; just as Tucson Electric Power Company (TEP) held rates constant over a period of years. Our adjustment of the tax rate this year is not dissimilar from your 2013 rate increase approved by the Arizona Corporation Commission that increased the residential class by 13.3 percent, small commercial class by 12.3 percent and the large commercial class by 14.1 percent.

We share your concern over tax, as well as utility, rate increases; but from a comparison of our 12.2 percent increase to recent TEP rate increases, we appear to be equivalent.

I would gladly trade our electrical energy cost increase for your property tax increase. Our electrical energy cost in 2013 was \$13.3 million. With TEP's rate increase, our Fiscal Year 2014/15 electrical energy cost will be \$16.4 million – a 23 percent increase.

Please feel free to contact me if you have any questions regarding the above.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Enclosure

c: The Honorable Chair and Members, Pima County Board of Supervisors
Martin Willett, Chief Deputy County Administrator
David Hutchens, President, Chief Executive Officer, Tucson Electric Power Company



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Tucson, AZ 85701

Lawrence Lucero
Senior Director,
Government Relations and Economic Development

Phone: 520.884.3608
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June 13, 2014

The Honorable Sharon Bronson
Chair, Pima County Board of Supervisors
130 West Congress, 11th Floor
Tucson, AZ 85701

Dear Chair Bronson:

I am writing to ask for your reconsideration of the increase in primary property tax rate proposed in the County Administrator's budget. The proposed budget currently recommends an increase of 16.7% over last year's tax rate, which is a significant increase for the residents and businesses of Pima County, including Tucson Electric Power (TEP).

In 2013, Pima County's property tax rate of \$5.1309, which includes both primary and secondary taxes, resulted in approximately \$10.3 million in property taxes being paid by TEP. Currently, the proposed 2014 property tax rate of \$5.7623¹, which includes the proposed primary property tax increase of 61.14 cents, will result in an estimated \$11.6 million in property taxes for Pima County. This is an increase of \$1.3 million. TEP recognizes that a modest increase in property taxes is warranted at a time when County revenues and property values are decreasing; however, the 16.7% increase in taxes would be a dramatic increase for all Pima County residents who will pay these increases not only in their own taxes, but in the bills sent by TEP and other businesses that pass along these costs to customers.

TEP has been a strong partner with Pima County during the economic recovery and look forward to ensuring a vibrant and prosperous community together; however, we ask that you consider the economic impact that the increase in property taxes will have throughout our community.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence Lucero", is written over a printed name.

Lawrence Lucero

Cc: Pima County, Board of Supervisors
Chuck Huckelberry, County Administrator
Martin Willet, Chief Deputy County Administrator

¹C.H. Huckelberry, Board of Supervisors Memorandum, Tentative Budget Adoption: Fiscal Year 2014/2015, *Schedule B: Pima County Summary of Tax Levy and Tax Rate Information*. May 20, 2014