



MEMORANDUM

Date: January 16, 2024

To: The Honorable Chair and Members
Pima County Board of Supervisors
Presiding Judge, Superior Court
Elected Officials
Department Directors

From: Jan Leshner 
County Administrator

Re: **Budget Overview**

As we move into the second half of this fiscal year and continue the development of the budget for the next fiscal year, it is critical that we continue to review the economic conditions that we face both locally and statewide to determine the course of action needed to maintain a financially healthy and stable organization.

As communicated in the December 12, 2023, Economic Decision Guide Update – 4th Quarter Calendar Year 2023, staff has been monitoring key financial indicators related to inflation, housing, consumer spending, gasoline sales, interest rates, and unemployment to assist us in making budgetary decisions that are responsive to fluctuations in the economy. To that end, an important policy was recommended and passed (D 22.14) to establish, for the first time, an unrestricted fund balance in the County. This fund balance policy provides sufficient working capital to meet cash flow needs or unforeseen expenditures related to economic downturns or emergencies. We also allocated an additional \$5 million within the contingency fund to address the impact of inflation on departmental budgets for the 2023/24 Adopted Budget.

Equally important, we have taken aggressive steps to deal with the local impact of inflation and unemployment by investing in our employees' compensation. This year, we began the implementation of the Classification and Compensation study, highlighting the importance of a stable workforce as a major factor in the long-term success of our County. Our greatest asset is undoubtedly our talented and dedicated staff.

However, as we continue to navigate the apparent unfavorable economic trends, action must be taken to ensure the long-term sustainability of our organization. As such, worsening financial conditions coupled with PAYGO commitments and anticipated increases in expenses due to the State Cost Shifts, have recently triggered the following budget mitigation efforts:

- Assess vacant positions for possible elimination or delayed start
- Evaluate the timing and completion of capital projects
- Prioritize the use of special revenue funds to cover appropriate expenses
- Review non-essential purchases and large costs and consider delaying them or enforcing possible budget reductions.

JAN 19 2 24 PM 12 07 PC CLK OF ED

MW

The Honorable Chair and Members, Pima County Board of Supervisors
Presiding Judge, Superior Court
Elected Officials
Department Directors
Re: **Budget Overview**
January 16, 2024
Page 2

Additionally, I am asking each County Department and Elected Office to thoroughly review its entire departmental budget to identify reductions in expenditures for the remainder of FY 2023/24. This request is reasonable and rational, given our current funding obligations. It is important to understand that voluntary reductions is our current ask, but it may be necessary to require a fixed percentage reduction in the future as the impact of several economic factors becomes clearer over the next few months.

To achieve this goal, Department Leadership and Elected Officials are encouraged to seek innovative and efficient solutions in the following four areas to maintain productivity.

1. Expense Savings:

- a. Review and reduce non-essential travel and related expenses; and
- b. Work with staff on strict adherence to energy guidelines to reduce expenditures; and
- c. Temporarily suspend professional development and training programs.

2. Capital Expenditures:

- a. Postpone non-critical capital projects; and
- b. Prioritize essential equipment maintenance over new purchases.

3. Discretionary Spending:

- a. Place a hold on discretionary spending, including office supplies and furniture.

4. Personnel Expenses:

- a. Prepare for a freeze on hiring new personnel; and
- b. Voluntarily reduce current personnel staffing levels

These measures may pose challenges. However, it is appropriate that we recognize and act quickly on the fiscal realities that confront us. We appreciate your cooperation in identifying potential reductions that will contribute to the County's long-term financial success. We will continue to monitor the situation closely and adjust as necessary.

JKL/dym

c: Carmine DeBonis, Jr., Deputy County Administrator
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer
Steve Holmes, Deputy County Administrator
Ellen Moulton, Director, Finance and Risk Management