



MEMORANDUM

Date: January 10, 2024

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

From: Jan Lesner 
County Administrator

Re: **Recommended Uses of Inflation Contingency Funds**

This memo provides an update on our proactive measures to address the impact of the current economic landscape marked by persistent inflation. Given the ongoing financial circumstances, notably underscored by Tucson Electric Power's recent adjustment in the Purchased Power and Fuel Charge, it is evident that our utility costs for this fiscal year will be affected, resulting in an estimated increase of \$3 million. For additional information, here is the link to my January 2, 2024 memorandum on [Tucson Electric Power \(TEP\) increased Purchased Power and Fuel Adjustment Charge](#).

In anticipation of such uncertainties, we had allocated nearly \$5 million within the contingency fund for inflation in the Fiscal Year 2023/24 Adopted Budget. This allocation was specifically intended to address the impact of inflation on departmental budgets, ensuring the continuity of operations without compromising the quality of services provided.

Finance and Risk Management (Finance) performed an analysis of all electricity bills paid over the past 16 months (July 2022 through October 2023). While all departments have experienced some level of increased costs only two departments, the Sheriff's Department and Facilities Management, require additional budget authority at this point. Finance will perform a follow-up analysis in May to determine if additional transfer of budget authority will be necessary.

Below are the recommended uses for the inflation contingency funds related to electricity.

Uses of Contingency:

Facilities Management: \$537,867

Sheriff's Department: \$307,394

In addition to increased utility costs, inflation has impacted prices for food supplies, fuel, and oil in the Sheriff's Department. As stated in the [Fiscal Year 2023/24 Sheriff's Department Budgetary Overages – Update and Collaborative Measures](#) memorandum, the Sheriff's Department and Finance are actively engaged in collaborative discussions and are working towards a sustainable path forward. Finance performed a 16-month analysis on food, fuel, and oil costs to determine an amount of additional funding to offset these overages due to inflation. As a result of this analysis, we recommend using the inflation contingency in the amounts below.

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Uses of Contingency:

Sheriff's Department:

Food Supplies: \$179,052
Fuel & Oil: \$ 64,254

These funds have been strategically allocated to assist departments in alleviating the impact of inflation. While we acknowledge the challenges posed by increasing prices, it is imperative that prudence and cost-effectiveness guide all spending decisions. We encourage departments to review and prioritize expenditures based on critical needs.

We commit to reassessing additional relief for these continued costs in May, at which point we will provide final recommendations for utilizing the remaining inflation contingency.

Recommendation:

In response to the inflationary pressures felt by these two departments, I recommend providing Facilities Management \$537,867 and the Sheriff's Department \$550,700 from the nearly \$5 million inflation contingency that was included in the FY 2023/24 Adopted Budget.

JKL/je

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