



MEMORANDUM

Date: October 5, 2023

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

From: Jan Leshner 
County Administrator

Re: **Additional Information for the October 17, 2023 Board of Supervisors Meeting –
Financial Forecast – August 2023**

The following information represents the Financial Forecast as of August 31, 2023, compiled using the forecasts provided by departments for Period 2.

Departments are required to provide a forecast for the fiscal year ending June 30, 2024. Working closely with Finance and Risk Management (Finance), the departments review actual expenditures and revenues posted during the month, identify trends or significant changes in their line of business, and then forecast year-end amounts.

Fund Balance Reserve

Board Policy D 22.14 [General Fund - Fund Balance](#) established that 17% of the previous year's General Fund audited operating expenditures are to be set aside as an unrestricted General Fund reserve. The County will not have audited financials until the middle of December, but Finance has the FY 2022/23 Period 15 estimate of General Fund expenditures of \$607 million. This amount is an increase from the previous year and will require an increase in the General Fund reserve from \$93 M to \$103 million. This number will be the estimate used until the audited financial statements are available mid-December.

General Fund Revenues

As of the end of August, the General Fund Revenues are forecasted to be on target for the fiscal year.

Property Tax Revenues:	\$429,637,466
Other Base Revenues:	\$248,309,361

General Fund Net Fund Impact and Transfers Out

General Fund Transfers Out shows a positive variance of \$1 million. This amount is mainly due to a reduction in match requirements for several departments.

General Fund Expenditures

As of Period 2, several departments are forecasting to be over budget by the end of the fiscal year. With the adoption of the updated Board Policy D 22.2 [Budget Accountability](#), Finance has already reached out to each of the departments listed below to inform them of the requirements included in that policy and to help them develop a budget remediation plan.

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Finance will work with departments that forecast to be over budget within the Period 3 Forecast or any future forecast and bring their remediation plans to the Board as part of the Monthly Financial Update.

With the implementation of the Class and Compensation salary adjustments in September, many departments forecasted full employment for the remainder of the year. While this perspective is very optimistic, it does not necessarily provide a realistic forecast. It is anticipated that the Salary and Benefit projections will be more in line with budgeted amounts for the Period 3 Forecast once all of the salary increases at the employee level are incorporated into the projections. Finance will work with each department to provide a more realistic labor forecast for Period 3.

The following departments are forecasted to be over budget on June 30, 2024.

Behavioral Health: \$924,384

- The department anticipates the NaphCare contract will be approximately \$1.7 million higher than budgeted. Additionally, the department is purchasing \$600,000 of furniture not included in the budget. The Behavioral Health forecast reflects some vacancy savings that currently amount to approximately \$936,000 for the remainder of the fiscal year offsetting a portion of the other overages.

Community Workforce & Development (CWD): \$102,636

- CWD forecasted full employment as well as some minor overages in other line items. CWD currently has nine vacant positions valued at \$1.3 million for the entire year.

Facilities Management: \$846,535

- The majority of this increase, \$558,000, is due to the 11.8% increase in TEP rates. Because this is an inflationary increase, Finance will continue to monitor these costs and, during the Period 6 Forecast, will recommend distributing a portion of the inflation contingency. Facilities Management's forecast reflects \$228,000 in anticipated vacancy savings for the remainder of the fiscal year.

Natural Resources Parks & Recreation (NRPR): \$254,162

- NRPR forecasted for full employment, no vacancy savings. Additionally, \$74,000 was forecasted for vacation/sick payouts due to anticipated retirements. NRPR currently has 72 vacant positions in the General Fund valued at \$1.8 million for the entire year.

Public Defense Services (PDS): \$1,374,512

- The majority of this overage is due to an increase in the use of contract attorneys, \$642,000, and expert witnesses, \$135,000. Additionally, PDS forecasted \$330,000 for sick/vacation payouts due to expected retirements, which is an unbudgeted item. PDS currently has 42 vacant General Fund positions valued at \$3.4 million for the entire year.

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Sheriff’s Department: \$7,844,374

- Most of this overage, \$6.1 million, is in personnel services, including \$500,000 for salaries and wages, \$4.5 in overtime, and \$1.1 million in benefits.
- Supplies are forecasted to be over by \$1.5 million. The line items forecasted to be over budget are in areas where inflation has had a significant impact: food, medical supplies, fuel, etc.

Finance is actively working with the Sheriff’s Finance Staff to develop a budget remediation plan.

The high-level Period 2 Forecast for the General Fund is below. The Beginning General Fund Balance is based on Period 15 for FY 2022/23. The County will have audited financial statements by the middle of December for FY 2022/23. Using this estimate from Period 15, there is an increase in the available fund balance as of June 30, 2023. However, that increase is offset by the required increase in the General Fund Balance reserve. Additionally, the six departments listed above are forecasted to be over budget by \$9.7 million.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund				
As of August Period 2				
Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance
Beginning General Fund Balance	\$ 159,448,967	\$ 168,070,593	\$ 168,070,593	\$ 8,621,626
Revenues				
General Fund Revenues	715,310,722	30,134,852	715,571,414	260,692
Operating Transfers In	5,082,815	161,292	5,083,572	757
Total Revenues	720,393,537	30,296,144	720,654,986	261,449
Expenditures				
Operating Expenditures	662,032,001	101,716,614	671,743,726	(9,711,725)
Operating Transfers Out	124,737,285	3,956,411	122,844,062	1,893,223
Reserve	93,073,218	-	-	93,073,218
Emergency Reserve		-	-	-
Total Expenditures	879,842,504	105,673,025	794,587,788	85,254,716
Ending Fund Balance	-	92,693,712	94,137,791	94,137,791
Unrestricted General Fund Reserve			94,137,791	
Unrestricted General Fund Balance - per Board Policy D 22.14				Over/Under
Minimum 17% of Expenditures			\$ 103,226,694	\$ (9,088,903)
Items included in the FY 2024/25 Adopted Budget				
Available Unrestricted General Fund Balance after Adjustments				\$ (9,088,903)

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Non-General Fund Expenses

Historically, this report has focused mainly on the General Fund. This year, it will also focus on the other departments and funds. As of Period 2, several non-general fund departments are forecasting over budget by the end of this fiscal year. Finance has also reached out to these departments to inform them of the new requirements in Board Policy D 22.2 [Budget Accountability](#). Finance will work with departments that forecast to be over budget within the Period 3 Forecast or any future forecast and bring their remediation plans to the Board as part of the Monthly Financial Update.

County Library: \$263,171

- The County Library is forecasting additional costs, approximately \$82,000, related to Facilities Management projects that were not completed by the end of FY 2022/23. Additionally, the cost of Microsoft increased by \$56,000, and other software packages are planned to be purchased for \$102,000. The Library has forecasted full employment. The Library currently has 38 vacant positions valued at \$2.3 million for the entire year.

Transportation: \$369,365

- Salaries and benefits are forecasted to be \$140,000 over budget. This is expected to be resolved in Period 3 as the Class and Compensation increases are layered into the forecast. In addition, higher than budgeted costs are anticipated for RTA Transit and Green Valley Council Services.

Health Benefits Trust: \$2,804,902

- As in FY 2022/23, the trend of increases in high-cost claimants continues, resulting in higher than anticipated medical claims costs.

ITD Enterprise Software: \$662,852

- The annual cost of the Microsoft Enterprise licensing is increasing by \$657,000.

ITD Hardware: \$221,553

- Higher than anticipated costs for software needed by the staff to support the ITD Hardware Internal Service Fund.

Period 2 is an early snapshot of the financial status of the County. There were some added complexities to this forecast with the rollout of the Class and Compensation study in September. With the new and updated Board Policies on D 22.2 – Budget Accountability and D 22.15 – Use of Contingency, the Monthly Financial update is expected to provide additional context to the County's financial health.

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