

To:

MEMORANDUM

Date: October 17, 2025

The Honorable Chair and Members

Pima County Board of Supervisors

From: Jan Lesher

County Administrator

Re: Financial Forecast - September 2025 Period 3

The following information represents the Financial Forecast as of September 30, 2025, compiled using the forecasts provided by departments for Period 3.

Departments are required to provide a forecast for the fiscal year ending June 30, 2026. 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 <u>General Fund - Fund Balance</u> requires 17 percent of the previous year's General Fund audited operating expenditures be set aside as an unrestricted General Fund reserve. This requirement was temporarily reduced to 15 percent for the FY 2025/26 Adopted Budget. Accordingly, the FY 2025/26 required General Fund reserve balance is approximately \$92.0 million.

General Fund Revenues

General Fund revenues are comprised of three main sources: local property taxes, state and federal revenues, and departmental revenues. As of Period 3, General Fund revenues are projected to exceed the budgeted amount by approximately \$810,000, primarily driven by an approximate \$881,000 increase in State Shared Sales Tax revenues.

Property Tax Revenues

Property tax revenues are comprised of three different categories: Real Property Taxes, Personal Property Taxes, and interest and penalties on delinquent taxes. Below is a table that lists the different types of property taxes and the current forecast as of September 30, 2025. Preliminarily, there is a variance in property tax revenues which is due to two factors. Delinquent real property taxes decreased by \$200,000 because FY 2024/25 collections from the September 2024 billing exceeded expectations, leaving less delinquent revenue to collect in FY 2025/26. In contrast, unsecured personal property taxes increased by \$244,425,

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The Honorable Chair and Members, Pima County Board of Supervisors

Re: Financial Forecast - September 2025 Period 3

October 17, 2025

Page 2

reflecting a 2.9 percent higher net assessed value in the actual billing roll compared to the December 2024 planning roll used for the budget.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Property Tax Revenues

| | | Year-to-Date | FY 25/26 | | 25% Target |
|---|-------------------|---------------|----------------|-----------|----------------|
| | FY 25/26 BUDGET | ACTUAL | PROJECTED | VARIANCE | Received/Spent |
| Real Property Taxes | 474,438,395 | 51,539,661 | 474,438,395 | - | 11% |
| Delinquent Real Property Taxes | 5,443,800 | 1,252,377 | 5,243,800 | (200,000) | 23% |
| Personal Property Taxes | 11,886,945 | 676,636 | 12,131,370 | 244,425 | 6% |
| Delinquent Personal Property Taxes | 324,000 | 51,904 | 324,000 | = | 16% |
| Interest & Penalties on Delinquent Property Taxes | 5,990,000 | 946,449 | 5,990,000 | - | 16% |
| | \$ 498,083,140 \$ | \$ 54,467,027 | \$ 498,127,565 | \$ 44,425 | 11% |

State, Federal, and Other Non-Departmental Revenues

Non-Departmental Revenues are a composite of various General Government revenues that are not associated with an individual department. Below is a table listing the types of revenues as of September 30, 2025. Finance is preliminarily projecting an increase of approximately \$700,000, driven by two factors: an approximate \$900,000 increase in State Shared Sales Taxes, as collections for the first two months of the fiscal year were slightly higher than expected, partially offset by a projected \$200,000 decrease in Pooled Investment Interest Revenue. The decrease in interest revenue reflects the Treasurer's Office recovering approximately \$800,000 in prior overpayments resulting from overstated investment earnings, partially offset by \$600,000 in higher than budgeted interest returns.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the State and Federal Revenues

| | FY 25/26 BUDGET | Year-to-Date ACTUAL | FY 25/26 PROJECTED | VARIANCE | 25% Target Received/Spent |
|--|-----------------|------------------------|-----------------------|------------|------------------------------|
| State Shared Sales Tax | 187,118,653 | 29,547,760 | 188,000,000 | 881,347 | 16% |
| Vehicle License Tax | 37,032,709 | 7,871,835 | 37,032,709 | - | 21% |
| Overhead General Fund | 14,800,484 | 3,862,643 | 14,800,484 | - | 26% |
| Pooled Investment Interest Revenue | 6,250,000 | 505,774 | 6,050,000 | (200,000) | 8% |
| Federal In Lieu Payment | 4,808,000 | - | 4,808,000 | - | 0% |
| Transient Lodging Excise Tax (Stadium) | 3,604,000 | 274,202 | 3,604,000 | = | 8% |
| General Government Fees | 2,030,262 | 354,662 | 2,030,262 | - | 17% |
| Business Licenses & Permits | 3,100,000 | 354,585 | 3,100,000 | = | 11% |
| Alcoholic Beverage Tax | 60,000 | 9,000 | 60,000 | = | 15% |
| City In Lieu Payment | 60,000 | 53,609 | 60,000 | = | 89% |
| Other Miscellaneous Revenue | 2,000 | 8,889 | 2,000 | - | 444% |
| Overages & Shortages | (6,000) | (342) | (6,000) | - | 6% |
| | \$ 258,860,108 | \$ 42,842,617 | \$ 259,541,455 | \$ 681,347 | 17% |

General Fund Departmental Revenues

General Fund Departmental Revenues consist of fees collected by departments through their various activities. These activities differ by department and include items such as licenses and permits, charges for services, fines and forfeitures, and rental property income. The table below summarizes the departments generating the majority of Departmental Revenues

The Honorable Chair and Members, Pima County Board of Supervisors

Re: Financial Forecast - September 2025 Period 3

October 17, 2025

Page 3

as of September 30, 2025, with current projections preliminarily matching the budgeted amounts.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Departmental Revenues

| | FY 2 | 5/ 26 BUDGET | Year-to-Date ACTUAL | FY 25/26 PROJECTED | VARIANCE | 25% Target Received/Spent |
|-----------------------------|------|--------------|------------------------|-----------------------|----------|------------------------------|
| Sheriff | | 8,246,631 | 2,486,592 | 8,246,631 | = | 30% |
| Justice Court Tucson | | 5,427,666 | 1,421,875 | 5,427,666 | = | 26% |
| Recorder | | 9,322,290 | 959,757 | 9,322,290 | = | 10% |
| Clerk of the Superior Court | | 2,541,385 | 595,301 | 2,541,385 | = | 23% |
| Real Property Services | | 1,556,379 | 927,534 | 1,556,379 | = | 60% |
| Medical Examiner | | 1,910,000 | 422,787 | 1,910,000 | - | 22% |
| Public Defense Services | | 1,379,190 | 256,519 | 1,379,190 | = | 19% |
| Facilities Management | | 1,560,305 | 479,647 | 1,560,305 | = | 31% |
| Pima Animal Care | | 1,332,425 | 386,925 | 1,332,425 | = | 29% |
| Superior Court | | 754,228 | 77,794 | 754,228 | = | 10% |
| Information Technology | | 732,164 | 88,672 | 732,164 | - | 12% |
| Elections | | 2,163,482 | 22,951 | 2,163,482 | - | 1% |
| Communications Office | | 505,000 | 150,766 | 505,000 | - | 30% |
| | \$ | 37,431,145 | 8,277,120 | \$ 37,431,145 | \$ - | 22% |

General Fund Expenditures

The General Fund's preliminary high-level Period 3 Forecast is summarized below. It projects an approximate \$747,000 increase in total revenue, and approximately \$218,000 in expenditure savings compared to the Adopted Budget. As previously noted, the General Fund reserve for FY 2025/26 is set at \$92,022,910. For FY 2026/27, the reserve requirement is recommended to return to 17 percent, which would bring the projected reserve to \$103,367,589, or \$11,344,679 higher than the current year, based on estimated expenditures.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund As of September 2025 - Period 3

| | | | | | 25% Target |
|---|----------------|----------------|----------------|--------------|----------------|
| Fund Balance Summary | Adopted | Year To Date | Forecasted | Variance | Received/Spent |
| Beginning General Fund Balance | \$ 118,366,104 | \$ 126,746,493 | \$ 126,746,493 | \$ 8,380,389 | |
| Revenues | | | | | |
| General Fund Revenues | 802,571,937 | 106,898,348 | 803,381,667 | 809,730 | 13% |
| Operating Transfers In | 26,811,168 | 3,180,975 | 26,748,326 | (62,842) | 12% |
| Total Revenues | 829,383,105 | 110,079,323 | 830,129,993 | 746,888 | 13% |
| Expenditures | | | | | |
| Operating Expenditures | 722,048,028 | 172,576,608 | 721,830,379 | 217,649 | 24% |
| Operating Transfers Out | 133,678,271 | 6,788,331 | 133,644,848 | 33,423 | 5% |
| Reserve | 92,022,910 | - | | 92,022,910 | 0% |
| Total Expenditures | 947,749,209 | 179,364,939 | 855,475,226 | 92,273,983 | 19% |
| Ending Fund Balanc | e | - | 101,401,260 | 101,401,260 | _ |
| Unrestricted General Fund Reserve | | | 101,401,260 | | |
| Unrestricted General Fund Balance - per Board Policy | | | | | _ |
| FY 2025/26 Minimum 15% of Expenditures 92,022,910 | | | | | _ |
| FY 2026/27 Minimum 17% of Expenditures \$ 103,367,589 | | | | | _ |
| | | | | |) |
| Available Unrestricted General Fund Balance after Adjustments | | | | |) |

The Honorable Chair and Members, Pima County Board of Supervisors Re: Financial Forecast – September 2025 Period 3
October 17, 2025
Page 4

General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 3, \$106,305 has been allocated to Human Resources to support pay strategies for "In-Demand" job classifications, leaving a remaining contingency balance of \$893,695.

In summary, the performance for FY 2025/26 Period 3 indicates a stable fiscal outlook, with revenues exceeding projections and expenditures remaining in line with the budget. While these results are positive, continued monitoring of financial performance is critical. We will closely track trends, both favorable and concerning, and provide monthly updates to the Board of Supervisors to ensure timely awareness and informed decision-making.

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c: Carmine DeBonis Jr., Deputy County Administrator
 Steve Holmes, Deputy County Administrator
 Art Cuaron, Director, Finance and Risk Management
 Andy Welch, Deputy Director, Finance and Risk Management