AGENDA MATERIAL
DATE 10/21/25 ITEM NO. RA 12

MEMORANDUM

Date: October 17, 2025

To: 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 General Fund - Fund Balance 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, 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

	FY 25/26 BUDGET	Year-to-Date ACTUAL	FY 25/26 PROJECTED	VARIANCE	25% Target 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 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 25/26 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

Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	25% Target 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 Balance	-	-	101,401,260	101,401,260	
Unrestricted General Fund Reserve			101,401,260		
Unrestricted General Fund Balance - per Board Policy				Over/Under	
FY 2025/26 Minimum 15% of Expenditures			92,022,910	9,378,350	
FY 2026/27 Minimum 17% of Expenditures			$ 103,367,589	11,344,679	
				$ (1,966,329)	
Available Unrestricted General Fund Balance after Adjustments				**$ (1,966,329)**	

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.

JKL/anc

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