



MEMORANDUM

Date: April 12, 2024

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

From: Jan Leshner 
County Administrator

Re: **Financial Forecast – February 2024**

The following information represents the Financial Forecast as of February 29, 2024, compiled using the forecasts provided by departments for Period 8.

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 Annual Comprehensive Financial Report for the County was published on February 29, 2024. The audited General Fund expenditures for FY 2022/23, applicable to the policy, were \$576 million. This figure represents an increase from the preceding year, necessitating an adjustment in the General Fund reserve from \$93 million to \$98 million.

General Fund Revenues

General Fund Revenues are comprised of three main sources: local property tax revenues, State and Federal revenues, and General Fund Departmental Revenues. As of Period 8, General Fund Revenues are projected to exceed the budgeted amount by approximately \$14.8 million. This increase is primarily due to the Arizona Long Term Care System (ALTCS) refund of \$6.6 million and increases in the State Shares Sales Tax and Interest Income projections.

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 February 29, 2024. You will note there is a decrease in Real Property Taxes. Southwest Gas reached a settlement with the State tax court that reduced the assessed value of their property, thereby lowering the taxes due. This settlement impacted both Tax Years 2022 and 2023.

APR 12 2024 04:00 POC CLK FEB 21 2024

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Property Tax Revenues					
			Year-to-Date	FY 23/24	
		FY 23/24 BUDGET	ACTUAL	PROJECTED	VARIANCE
Real Property Taxes		405,546,477	245,702,412	404,500,000	(1,046,477)
Delinquent Real Property Taxes		5,462,000	3,107,835	4,639,000	(823,000)
Personal Property Taxes		12,932,989	9,309,349	12,932,989	-
Delinquent Personal Property Taxes		326,000	185,230	326,000	-
Interest and Penalties on Delinquent Property Taxes		5,370,000	3,240,152	5,670,000	300,000
		\$ 429,637,466	\$ 261,544,978	\$ 428,067,989	\$ (1,569,477)

State, Federal, and Other Non-Departmental Revenues

The Non-Departmental Revenues are a composite of various General Government Revenues that are not associated with an individual department. Below is a table that lists the types of revenues as of February 29, 2024. Finance is projecting an increase of \$5.5 million in State Shared Sales Taxes and \$2.5 million in Interest Revenue.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the State and Federal Revenues					
			Year-to-Date	FY 23/24	
		FY 23/24 BUDGET	ACTUAL	PROJECTED	VARIANCE
State Shared Sales Tax		180,000,000	108,383,165	185,500,000	5,500,000
Vehicle License Tax		35,000,000	21,286,075	35,000,000	-
Overhead General Fund		15,851,403	10,567,600	15,851,403	-
Pooled Investment Interest Revenue		4,500,000	4,107,219	7,000,000	2,500,000
Federal In Lieu Payment		4,272,000	-	4,398,000	126,000
Transient Lodging Excise Tax (Stadium)		3,641,400	2,132,555	3,641,400	-
General Government Fees		1,625,558	1,096,420	1,625,558	-
Business Licenses & Permits		3,300,000	1,542,499	3,300,000	-
Alcoholic Beverage Tax		60,000	27,000	45,000	(15,000)
City In Lieu Payment		60,000	(51,908)	60,000	-
Other Miscellaneous Revenue		2,000	5,372	5,000	3,000
Overages & Shortages		(6,000)	(547)	(6,000)	-
		\$ 248,306,361	\$ 149,095,450	\$ 256,420,361	\$ 8,114,000

General Fund Departmental Revenues

General Fund Departmental Revenues are fees earned by the departments through departmental activities. These activities vary by department but include things such as licenses and permits, charges for services, fines and forfeitures, and rental property income. Below is a table detailing the departments that generate the majority of the Departmental Revenues as of February 29, 2024. The ALTCS refund is shown under the Finance – Mandated Payments.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Departmental Revenue					
	FY 23/24 BUDGET	Year-to-Date ACTUAL	FY 23/24 PROJECTED	VARIANCE	
Sheriff	8,246,160	5,485,623	8,265,506	19,346	
Justice Courts Tucson	5,427,666	3,355,507	5,396,746	(30,920)	
Recorder	4,250,000	2,521,323	4,250,000	-	
Clerk of the Superior Court	1,763,453	1,103,037	1,763,453	-	
Real Property Services	1,518,665	1,546,980	1,546,980	28,315	
Medical Examiner	1,414,500	1,132,649	1,619,335	204,835	
Public Defense Services	1,379,190	797,537	1,120,989	(258,201)	
Facilities Management	1,411,624	1,202,837	1,519,379	107,755	
Pima Animal Care	1,214,425	988,524	1,258,100	43,675	
Information Technology	732,164	748,212	992,178	260,014	
Elections	603,000	298,719	699,126	96,126	
Finance - Mandated Payments	-	6,607,633	6,607,633	6,607,633	
	\$ 27,960,847	\$ 25,788,581	\$ 35,039,425	\$ 7,078,578	

General Fund Operating Transfers In and Transfers Out

Several types of Operating Transfers are recorded within the budget. Transfers In to the General Fund are payments made by other departments for services performed by Departments within the General Fund. The transfers received are primarily reimbursements from grants that allow for the recovery of indirect costs. Transfers In are reflected as revenue to the General Fund in the forecast. The County budgeted approximately \$5.1 million in Transfers In and is projecting to receive \$5.1 million as of Period 8.

Transfers Out from the General Fund fall into three categories: Capital Projects, Debt Service, and General Fund Support to Non-General Fund Departments. Transfers Out are reflected in the forecast as expenditures by the General Fund. The County budgeted \$124.7 million in Operating Transfers Out and is currently projecting to spend approximately \$124.4 Million as of Period 8.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Operating Transfers Out				
	FY 23/24 BUDGET	Year-to-Date ACTUAL	FY 23/24 PROJECTED	VARIANCE
Transfers Out to Capital Projects	28,891,054	18,378,705	28,147,296	(743,758)
Transfers Out for Debt Service	60,391,993	29,545,818	60,391,993	-
Transfers Out to Support Non-General Fund Departments	35,454,238	23,989,036	35,899,052	444,814
	\$ 124,737,285	\$ 71,913,559	\$ 124,438,341	\$ (298,944)

General Fund Expenditures

The General Fund's high-level Period 8 Forecast is outlined below.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund				
As of February 2024 - Period 8				
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	443,593,249	730,040,816	14,730,094
Operating Transfers In	5,082,815	1,350,739	5,120,067	37,252
Total Revenues	720,393,537	444,943,988	735,160,883	14,767,346
Expenditures				
Operating Expenditures	662,032,001	412,544,604	653,457,937	8,574,064
Operating Transfers Out	124,737,285	71,913,559	124,438,341	298,944
Reserve	93,073,218	-	-	93,073,218
Emergency Reserve		-	-	-
Total Expenditures	879,842,504	484,458,163	777,896,278	101,946,226
Ending Fund Balance	-	128,556,418	125,335,198	125,335,198
Unrestricted General Fund Reserve			125,335,198	
Unrestricted General Fund Balance - per Board Policy				Over/Under
	Minimum 17% of Expenditures		\$ 97,945,766	\$ 27,389,432

Finance works with all the departments within the County to create the monthly forecasts. As part of this iterative process, each department has unique circumstances that are taken into consideration. These factors can change on a month-to-month basis.

One of the most difficult areas for projections continues to be Personnel Services. The County has had between 900 and 1,000 vacant positions for the past several years.

In an effort to allocate resources more appropriately, the County has used a number of methods to try to mitigate this budgetary issue. They include budgeting for two months of vacancy savings as part of the Adopted Budget, performing vacancy savings sweeps during the year, and eliminating positions that have remained vacant for more than 365 days. Despite these efforts, the Personnel Services forecast continues to be an ongoing challenge.

The following departments are forecasted to be over budget on June 30, 2024, by the amounts provided below.

Sheriff's Department:

Period 8: \$3,424,757 – Over Budget

- Most of this overage, \$3.2 million, is in personnel services with the majority in Overtime. If this trend holds, this would be a significant decrease in overtime paid from FY 2022/23, which was \$9.7 million to approximately \$5.2 million.

Public Defense Services (PDS):

Period 8: \$882,971 – Over Budget

- Contract attorneys in the Office of Court Appointed Council are projected to be \$2.8 million over budget due to persistent heightened caseloads. This is partially offset by a reduction in projected personnel costs in other areas.

Superior Court (SC):

Period 8: \$814,638 – Over Budget

- The overage is primarily due to increasing software licensing costs and required out-of-state travel.

Non-General Fund Expenses

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

Human Resources - Health Benefits Trust:

Period 8: \$2,362,380 – Over Budget

- Similar to the trend observed in FY 2022/23, there is a continual increase in medical and pharmacy claims, surpassing initial estimates. At the December 5, 2023, Board of Supervisors meeting, the Board approved the medical and dental insurance premiums for FY 2024/25. These approved premiums included increases to address the upward trend in medical and pharmacy claims and the shortfall in reserves held by the Trust.

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Financial Forecast – February 2024**

April 12, 2024

Page 6

ITD - Enterprise Software:

Period 8: \$1,604,551 – Over Budget

- The annual cost of the Microsoft Enterprise licensing has increased. Additionally, the educational discounts afforded to the Library were discontinued. Subscription costs for all modules of the new ERP were not included in this department's FY 2023/24 Budget.

RWRD – Regional Wastewater Reclamation

Period 8: \$1,495,845 – Over Budget

- The cost of chemicals, utilities and repairs have increased due to inflation, more than anticipated.

Non-General Fund Revenues

Transportation:

Period 8: \$2,358,134 – Under Budget for Revenue

- Due to a reduced forecast by the Arizona Department of Transportation for its Highway User Revenue Fund collections, the department is projecting a \$2.2 million revenue shortfall. Transportation has identified areas to reduce costs and continues to assess the implications of this on their service delivery in areas other than the Pavement Preservation Program.

As the Board considers the Recommended Budget for Fiscal Year 2024/25 in the coming weeks, it is important to remember that the Period 8 Forecast for the General Fund serves as a fundamental cornerstone in shaping that budget.

JKL/anc

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