



# MEMORANDUM

Date: September 12, 2025

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

From: Jan Leshner   
County Administrator

Re: **Fiscal Year 2024/25 Year-End Budget Performance and Financial Forecast – August Period 2**

As we wrap up Fiscal Year (FY) 2024/25, this memo provides a concise overview of the County's financial performance, highlighting any significant revenue and expense variances across all departments. This summary highlights variances exceeding \$500,000, including both favorable outcomes and budget overruns.

Please note that the amounts presented here are preliminary, as we are still finalizing year-end adjustments and financial reporting. The amounts reflect data as of September 8, 2025 and are preliminary through Period 12. The final audited financial reports will be available in December 2025.

## 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. The County's most recent Annual Comprehensive Financial Report (ACFR), published on December 20, 2024, reported audited General Fund expenditures of \$613.5 million for FY 2023/24.

As part of the FY 2025/26 Adopted Budget, the Board approved a one-time adjustment reducing the reserve requirement from 17 percent to 15 percent of the prior year's audited expenditures. This measured reduction eased pressure on the property tax rate while still preserving a strong reserve position that protected the County's fiscal health and creditworthiness. Accordingly, the required General Fund reserve balance for FY 2025/26 was set at \$92.0 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 September 8, 2025, for FY 2024/25, General Fund Revenues are projected to exceed the budgeted amount by approximately \$19.1 million. This increase is driven by approximately \$11.0 million in additional State Shared Sales Tax revenues, an approximate \$3.3 million refund from the Arizona Long Term Care System (ALTCS), an approximate \$359 thousand increase in pooled interest earnings due to higher-than-expected interest rates and approximately \$1.9 million in higher than anticipated departmental revenues. These gains were partially offset by an approximate \$520 thousand decline in Property Tax revenues.

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Revenues as of September 8, 2025, which includes the Arizona Long Term Care Services (ALTCS) refund of approximately \$3.3 million shown as Finance - Mandated Payments.

**Fiscal Year 2024/25 Adopted Budget, Year to Date Actual, Projected Amounts for the Departmental Revenues**

	<b>FY 24/25 BUDGET</b>	<b>FY2024/25 Unaudited</b>	<b>Variance</b>	<b>100% Target Received/Spent</b>
Sheriff	8,246,160	8,863,438	617,278	107%
Justice Court Tucson	5,427,666	5,841,782	414,116	108%
Recorder	4,250,000	4,034,029	(215,971)	95%
Clerk of the Superior Court	2,894,538	2,196,785	(697,753)	76%
Real Property Services	1,556,379	1,587,315	30,936	102%
Medical Examiner	1,514,500	1,991,245	476,745	131%
Public Defense Services	1,379,190	1,214,822	(164,368)	88%
Facilities Management	1,416,767	1,714,416	297,649	121%
Pima Animal Care	1,332,425	1,545,409	212,983	116%
Superior Court	754,228	757,255	3,027	100%
Information Technology	732,164	691,322	(40,842)	94%
Elections	630,000	1,628,262	998,262	258%
Communications Office	505,000	498,182	(6,818)	99%
Finance - Mandated Payments	-	3,331,804	3,331,804	0%
	<b>\$ 30,639,017</b>	<b>\$ 35,896,065</b>	<b>\$ 5,257,048</b>	<b>117%</b>

### 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 Non-General Fund 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. In the FY 2024/25 Adopted Budget, approximately \$11.25 million of ARPA interest and Opioid settlement dollars were budgeted to be transferred into the General Fund and used to support various programs. The County budgeted approximately \$17.5 million in Transfers In and is projected to receive approximately \$14.8 million as of September 8, 2025.

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 approximately \$124.3 million of Operating Transfers Out and is currently projecting to spend approximately \$123.6 million as of September 8, 2025. This decrease is the result of less grant match funding being required than originally budgeted.

### General Fund Expenditures

The General Fund's Fiscal Year 2024/25 year-end balance projects an approximate \$16.4 million increase in total revenue and an approximate \$4.9 million decrease in operating expenditures compared to the Adopted Budget. As proposed with the FY 2025/26 Recommended Budget, any additional savings identified in future forecasts beyond Period 8 will be set aside as contingency to help safeguard against ongoing federal and state

**Sheriff's Department:**

FY 2024/25 Current Estimated Overage: \$2,718,519 – Over Budget

- Overtime, including Initial Appearance Pay, is forecast to exceed the budget primarily related to jail operations. Costs for food, fuel and utilities have not completely stabilized even with the slowing of inflation.
- The Sheriff's Department was required to take a 2 percent budget cut of \$3,472,718, of which they were able to achieve a portion of the reduction.
- In the FY 2025/26 Adopted Budget, the Sheriff's Department received supplemental funding totaling \$2.7 million to address departmental needs, which is expected to help address operational challenges in these areas.

**Financial Forecast – August 2025, Period 2**

The following section provides an update on the County's financial status as of August 31, 2025. It includes fund balance, revenues, expenditures, operating transfers, and notable variances compared to the Fiscal Year 2025/26 Adopted Budget.

**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. As discussed above, 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 2, General Fund revenues are projected to exceed the budgeted amount by approximately \$1.0 million, driven by a \$900 thousand 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 August 31, 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

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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	17% Target Received/Spent
Sheriff	8,246,631	945,946	8,246,631	-	11%
Justice Court Tucson	5,427,666	919,384	5,427,666	-	17%
Recorder	9,322,290	501,657	9,322,290	-	5%
Clerk of the Superior Court	2,541,385	351,704	2,541,385	-	14%
Real Property Services	1,556,379	391,402	1,556,379	-	25%
Medical Examiner	1,910,000	275,660	1,910,000	-	14%
Public Defense Services	1,379,190	155,909	1,379,190	-	11%
Facilities Management	1,560,305	310,673	1,560,305	-	20%
Pima Animal Care	1,332,425	155,310	1,332,425	-	12%
Superior Court	754,228	132,650	754,228	-	18%
Information Technology	732,164	38,683	732,164	-	5%
Elections	2,163,482	(29,970)	2,163,482	-	-1%
Communications Office	505,000	82,891	505,000	-	16%
	<u>\$ 37,431,145</u>	<u>\$ 4,231,899</u>	<u>\$ 37,431,145</u>	<u>\$ -</u>	<u>11%</u>

## General Fund Expenditures

The General Fund's preliminary high-level Period 2 Forecast is summarized below. It projects an approximate \$1.0 million increase in total revenue, with no change in expenditures 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 August 2025 - Period 2

Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	17% Target Received/Spent
<b>Beginning General Fund Balance</b>	\$ 118,366,104	\$ 126,746,493	\$ 126,746,493	\$ 8,380,389	
<b>Revenues</b>					
General Fund Revenues	802,571,937	33,805,602	803,497,709	925,772	4%
Operating Transfers In	26,811,168	3,345,908	26,811,168	-	12%
<b>Total Revenues</b>	<u>829,383,105</u>	<u>37,151,511</u>	<u>830,308,877</u>	<u>925,772</u>	<u>4%</u>
<b>Expenditures</b>					
Operating Expenditures	722,048,028	118,373,257	722,048,028	-	16%
Operating Transfers Out	133,678,271	5,787,128	133,678,271	-	4%
Reserve	92,022,910	-	-	92,022,910	0%
<b>Total Expenditures</b>	<u>947,749,209</u>	<u>124,160,385</u>	<u>855,726,299</u>	<u>92,022,910</u>	<u>13%</u>
<b>Ending Fund Balance</b>	<u>-</u>	<u>-</u>	<u>101,329,071</u>	<u>101,329,071</u>	
<b>Unrestricted General Fund Reserve</b>			101,329,071		
Unrestricted General Fund Balance - per Board Policy				Over/Under	
FY 2025/26 Minimum 15% of Expenditures			92,022,910	9,306,161	
FY 2026/27 Minimum 17% of Expenditures			\$ 103,367,589	11,344,679	
				<u>\$ (2,038,518)</u>	
<b>Available Unrestricted General Fund Balance after Adjustments</b>				<u>\$ (2,038,518)</u>	

## General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 2, \$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.