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# MEMORANDUM

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Date: March 14, 2025

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

From: Jan Leshner   
County Administrator

Re: **Financial Forecast – January 2025 Period 7**

The following information represents the Financial Forecast as of January 31, 2025, compiled using the forecasts provided by departments for Period 7.

Departments are required to provide a forecast for the fiscal year ending June 30, 2025. 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% of the previous year's General Fund audited operating expenditures be set aside as an unrestricted General Fund reserve. The most recent Annual Comprehensive Financial Report (ACFR) for the County was published on December 20, 2024, with audited General Fund expenditures for FY 2023/24 of \$613.5 million. As a result, the required General Fund reserve balance is \$104.3 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 7, General Fund Revenues are projected to exceed the budgeted amount by approximately \$9.1 million. This increase is driven by a \$4.5 million rise in State Shared Sales Tax revenues, a \$3.3 million refund from the Arizona Long Term Care System (ALTCS), and higher than expected departmental revenues, partially offset by declines in Real Property 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 January 31, 2025. The reduction in property taxes is partly due to an increase in delinquent tax payments during FY 2023/24, resulting in fewer delinquent taxes available for collection in FY 2024/25.

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

	FY 24/25 BUDGET	Year-to-Date ACTUAL	FY 24/25 PROJECTED	VARIANCE	58% Target Received/Spent
Real Property Taxes	439,912,058	254,715,676	438,807,585	(1,104,473)	58%
Delinquent Real Property Taxes	5,858,000	(1,326,633)	4,858,000	(1,000,000)	-23%
Personal Property Taxes	12,412,518	9,148,034	12,756,453	343,935	74%
Delinquent Personal Property Taxes	349,000	(150,571)	349,000	-	-43%
Interest & Penalties on Delinquent Property Taxes	5,580,000	2,014,343	5,580,000	-	36%
	\$ 464,111,576	\$ 264,400,849	\$ 462,351,038	\$ (1,760,538)	57%

**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 January 31, 2025. Finance is projecting an increase of \$4.5 million in State Shared Sales Taxes. This is a positive trend that we are projecting to continue into the next fiscal year.

Fiscal Year 2024/25 Adopted Budget, Year to Date Actual, Projected Amounts for the State and Federal Revenues

	FY 24/25 BUDGET	Year-to-Date ACTUAL	FY 24/25 PROJECTED	VARIANCE	58% Target Received/Spent
State Shared Sales Tax	182,000,000	94,300,540	186,500,000	4,500,000	52%
Vehicle License Tax	36,800,000	19,981,384	36,800,000	-	54%
Overhead General Fund	16,162,316	6,021,065	16,162,316	-	37%
Pooled Investment Interest Revenue	5,000,000	3,104,572	5,000,000	-	62%
Federal In Lieu Payment	4,529,000	-	4,529,000	-	0%
Transient Lodging Excise Tax (Stadium)	3,794,400	1,515,602	3,794,400	-	40%
General Government Fees	1,872,155	2,983,661	1,872,155	-	159%
Business Licenses & Permits	3,300,000	1,553,390	3,300,000	-	47%
Alcoholic Beverage Tax	60,000	27,000	60,000	-	45%
City In Lieu Payment	60,000	-	60,000	-	0%
Other Miscellaneous Revenue	2,000	-	2,000	-	0%
Overages & Shortages	(6,000)	(318)	(6,000)	-	5%
	\$ 253,573,871	\$ 129,486,896	\$ 258,073,871	\$ 4,500,000	51%

**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, rental property income, etc. Below is a table detailing the departments that generate the majority of the Departmental Revenues as of January 31, 2025, which includes the ALTCS refund of \$3.3 million.

The BOS requested explanations for departmental variances during the February Financial Update, specifically for Justice Court Tucson, Superior Court, and Elections. Justice Court Tucson projects lower revenues due to a decline in court fee collections this fiscal year. Superior Court expects slightly higher than budgeted revenues, driven by increased reimbursements for initial appearances in mandated services due to program changes. However, this is partially offset by lower child support program reimbursements from the State. Elections anticipates higher revenues than budgeted, resulting from increased election

fees charged to jurisdictions after the budget was adopted and additional ballot questions from participating districts, which further raised fees.

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

	FY 24/25 BUDGET	Year-to-Date ACTUAL	FY 24/25 PROJECTED	VARIANCE	58% Target Received/Spent
Sheriff	8,246,160	4,901,383	9,238,461	992,301	59%
Justice Court Tucson	5,427,666	2,805,312	5,066,839	(360,827)	52%
Recorder	4,260,000	2,764,971	4,377,755	127,755	65%
Clerk of the Superior Court	2,894,538	1,215,194	2,432,740	(461,798)	42%
Real Property Services	1,556,379	1,445,166	1,568,234	11,855	93%
Medical Examiner	1,514,500	1,140,717	1,771,758	257,258	75%
Public Defense Services	1,379,190	540,305	1,381,704	2,514	39%
Facilities Management	1,416,767	1,143,906	1,911,639	494,872	81%
Pima Animal Care	1,332,425	885,561	1,256,261	(76,164)	66%
Superior Court	754,228	198,080	793,289	39,061	26%
Information Technology	732,164	630,285	736,389	4,225	86%
Elections	630,000	319,264	1,325,142	695,142	51%
Communications Office	505,000	274,073	505,000	(0)	54%
Finance - Mandated Payments	-	3,331,804	3,331,804	3,331,804	0%
	\$ 30,639,017	\$ 21,596,021	\$ 35,697,015	\$ 5,057,998	70%

**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. In the FY 2024/25 Adopted Budget, \$11.25 million of ARPA interest and Opioid settlement dollars are 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 \$15.6 million as of Period 7.

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 \$124.3 million of Operating Transfers Out and is currently projecting to spend approximately \$124.7 Million as of Period 7. This increase is due to several unbudgeted Operating Transfers to capital projects such as a new generator for the Ajo Courthouse.

**General Fund Expenditures**

The General Fund's high-level Period 7 Forecast is outlined below. The Period 7 Forecast projects a \$7.2 million total revenue increase and a \$2.9 million decrease in operating expenditures compared to the Adopted Budget.

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**Fiscal Year 2024/25 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund  
 As of January 2025 - Period 7**

Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	58% Target Received/Spent
<b>Beginning General Fund Balance</b>	\$ 125,335,198	\$ 132,086,235	\$ 132,086,235	\$ 6,751,037	
<b>Revenues</b>					
General Fund Revenues	756,822,108	419,598,073	765,921,044	9,098,936	55%
Operating Transfers In	17,455,388	12,635,677	15,594,944	(1,860,444)	72%
<b>Total Revenues</b>	<u>774,277,496</u>	<u>432,233,751</u>	<u>781,515,988</u>	<u>7,238,492</u>	56%
<b>Expenditures</b>					
Operating Expenditures	677,333,993	380,420,575	674,410,116	2,923,877	56%
Operating Transfers Out	124,332,935	85,106,920	124,673,708	(340,773)	68%
Reserve	97,945,766	-	-	97,945,766	0%
<b>Total Expenditures</b>	<u>899,612,694</u>	<u>465,527,495</u>	<u>799,083,823</u>	<u>100,528,871</u>	52%
<b>Ending Fund Balance</b>	<u>-</u>	<u>-</u>	<u>114,518,400</u>	<u>114,518,400</u>	
<b>Unrestricted General Fund Reserve</b>			114,518,400		
Unrestricted General Fund Balance - per Board Policy				<u>Over/Under</u>	
			Minimum 17% of Expenditures	\$ 104,292,631	\$ 10,225,769
			<b>Affordable Housing</b>	1,400,000	
			<b>General Fund Contingency</b>	4,100,000	
			<b>Available Unrestricted General Fund Balance after Adjustments</b>	<u>\$ 4,725,769</u>	

There are two departments that are currently projecting to exceed their budget by at least \$500,000 as of June 30, 2025.

**Public Defense Services:**

Period 7: \$2,604,559 – Over Budget

- The overage is in contract counsel. While contract attorneys will continue to be utilized as needed, efforts to reduce the cost of outside counsel continue to be an objective.

**Sheriff's Department:**

Period 7: \$4,873,511 – Over Budget

- Overtime, including Initial Appearance Pay, is forecast to exceed the budget by \$2.5 million, 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% cut in their budget, \$3,472,718. It appears unlikely that they will be able to achieve this reduction.

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**FY 2025/26 Budget**

As we continue our FY 2025/26 budget development discussions, this and future financial forecasts will play an important role in determining the available unrestricted General Fund balance. As noted in previous memos, the Capital Budget Program will be reviewed at the March 18, 2025, Board meeting.

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