



MEMORANDUM

Date: August 15, 2025

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

From: Jan Leshner
County Administrator

Re: Additional Information for the August 18, 2025 Board of Supervisors Meeting
Addendum Item 4 - Sustaining and Strengthening the Pima Early Education Program
Scholarships

District 5 Supervisor Andres Cano placed an item on the Board's August 18, 2025 addendum, titled "Sustaining and Strengthening the Pima Early Education Program Scholarships." This memorandum addresses the three proposals outlined in Supervisor Cano's proposal.

1. Authorize a \$600,000 allocation from the Library District Contingency Fund to Hold PEEPs Scholarships Harmless in FY26

The City of Tucson reduced their funding for PEEPs for Fiscal Year (FY) 26, from \$750,000 to \$320,000. My memorandum to the Board dated July 8, 2025, explained that this would result in a reduction of 48 children served. The City has also made it clear that they will not be funding PEEPs at all next year and going forward. If the Board is in support of making up for the reduction in the City of Tucson's funding this year, the cost would be \$430,000. For the years going forward, the cost would be \$750,000, resulting in a total of \$10,750,000 a year from the Library District to fund PEEPs. Note that the Town of Marana continues to fund one PEEPs class in the Marana School District.

It is important that the Board is aware the Library District does not have a "contingency fund". The end of year fund balance is used to fund future year expenses. As stated in my May 15, 2025 memorandum to the Board, the Library, Finance, PEEPs staff and County Administration meet regularly to review the Library District's cash flow forecasts to ensure there is sufficient revenue to fund library operations, capital needs, and PEEPs, while maintaining a three month reserve. When the decision was made three years ago to transition PEEPs to the Library District, the Library District tax rate was increased by one cent to begin generating additional revenues. It was stated then, and many times since then, that additional tax rate increases would be necessary at a future time, but not immediately since the Library District was carrying a large fund balance at that time.

Attached is the latest cash flow forecast. (Attachment 1) The forecast includes an increase in funding for PEEPs to offset the reduction in the City of Tucson's contribution

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to PEEPs. It also assumes 40 additional FTE staff positions needed to adequately staff libraries resulting from the completion of major renovations and new libraries that were opened in the recent past without staffing increases.

Annual costs associated with the capital budget remain relatively similar year to year (\$4.9 million to \$6 million between FY27 and FY31), and \$1 million a year for deferred maintenance across the library system. Planning and development for a new Southwest Library began this fiscal year. Major renovations to the Valencia and Quincie Douglas libraries are scheduled to begin in FY29 and FY30 and are being remodeled strategically to meet the requirements of the IGA with the City of Tucson and position the Library to take over ownership. Debt service for Certificates of Participation for the acquisition of the Wells Fargo building and renovations to relocate the Main library to that building are forecasted at \$2.3 million to \$3.9 million a year in addition to the capital budget.

The forecast continues to assume the need for a three month reserve. A draft Board of Supervisor Policy for formalizing this three month reserve is attached and will be brought back to the Board for consideration at a future date. (Attachment 2)

The forecast also includes three increases in the Library District tax rate to ensure the three month reserve is met. Table 1 shows 2 cent increases in FY27 and FY28, and a 1.9 cent increase in FY29.

Table 1
Forecasted Library District Tax Rate FY26-FY31

Fiscal Year	Tax Rate	Tax Rate Increase
FY26	0.5579	
FY27	0.5779	.02
FY28	0.5979	.02
FY29	0.6169	.019
FY30	0.6169	
FY31	0.6169	

During each annual budget cycle, the Deputy County Administrators and I, along with Finance, consider potential impacts to each of the County's tax rates. The timing and amounts of the rate increases shown in Table 1 could change based on this review. The message remains the same, though. Tax rate increases will be necessary to continue to adequately operate and improve Pima County libraries and to sustainably fund the PEEPs program.

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2. Convene a Regional Early Education Roundtable and Jurisdictional Participation Review in partnership and communication with the community led coalition, Preschool Promise Working Group

Supervisor Cano's memorandum describes the purpose of this roundtable as identifying and coordinating additional non-fiscal commitments from municipalities that support preschool expansion and access. County staff have met several times over the past three years with the City of Tucson about use of vacant City-owned facility space for childcare for City of Tucson public safety employees. In fact, a portion of the \$320,000 that the City contributed to PEEPs for this fiscal year is a result of the City being unable to spend funds set aside to renovate City facilities for this purpose. County staff have also been considering vacant and underutilized county-owned facilities that may be suitable for childcare. To date, most of the school district PEEPs classes resulted from school districts repurposing vacant or underutilized elementary school classrooms, as well as constructing new classrooms approved by school district voters as part of school bond initiatives. County staff are prepared to expand these conversations to other cities and towns.

The requested reporting to cities and towns occurs quarterly for those contributing monetarily to PEEPs and could be expanded to those contributing in non-monetary ways. Mid-year and end of year reporting also occurs at the system level showing how much of the overall need in Pima County is being addressed by PEEPs, the Arizona Department of Economic Security, First Things First and Head Start. At the mid-year of FY25, 38% of the need was being met. The end of year report for FY25 will be available soon and will provide an update to this number.

3. Establish the PEEPS Workforce & Business Leadership Council in partnership with communication with the community led coalition, Preschool Promise Working Group

County staff, including Economic Development staff, are currently involved in at least three efforts focused on the business case for addressing childcare supply and affordability issues. These include "Supercharging PEEPs" led by The Preschool Promise, which is focused on engaging business and philanthropic leaders, the National Association of County's Childcare Supply Network, which includes The Chamber and a representative from the Southern Arizona Manufacturing Partnership, and the EPIC Design Lab, which includes several major Arizona employers exploring options to address employer childcare needs.

In addition, and in response to the Pima County employee survey that was conducted in 2024, I am currently reviewing recommendations developed by the Childcare Review and Implementation Team to address County employee childcare needs.

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The County convening a PEEPs and/or childcare workforce and business leadership council to review the outcomes of these current efforts is certainly plausible.

Note that PEEPs will continue to be overseen by a multi-departmental leadership team that includes the following departments: Pima County School Superintendent, Library, Economic Development, Health, Community and Workforce Development, and County Administration. You will continue to see this team copied on PEEPs memorandums, as well as the annual and mid-year reports. If the Board directs the formation of a council and convening of a roundtable, input from this team will also be sought.

JKL/anc

Attachments

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Art Cuaron, Director, Finance and Risk Management
Terry Cullen, MD, MS, Director, Health Department
Ken Walker, Interim Director, Grants Management and Innovation
Marissa Alcorta, Interim Director, Pima County Library
Em DeMeester-Lane, Interim Director, Pima County Library
Anthony Batchelder, Deputy Director, Pima County Library
Dan Sullivan, Director, Community and Workforce Development
Heath Vescovi-Chiordi, Director, Office of Economic Development
Rhonda Pina, Deputy Director, Community and Workforce Development
Nicole Fyffe, Senior Advisor, County Administrator's Office
Nicole Scott, Pima Early Education Program Manager

ATTACHMENT 1

Library District - Services
Forecasted Cash Flow for Each Applicable Fiscal Year
Utilizing July 2025 Forecast
DRAFT

Scenario - Peeps
& FTE's

	Actual FY 24-25 (Based on Preliminary Ass of 07/31/25)	Adopted Budget FY 25-26	Forecasted FY 25-26 based on July Forecast	Forecasted FY 26-27	Forecasted FY 27-28	Forecasted FY 28-29	Forecasted FY 29-30	Forecasted FY 30-31
1 Net Operating Income (loss)			0.5579	0.5779	0.5979	0.6169	0.6169	0.6169
2 Revenues								
3 Property Taxes**	61,908,949	65,465,806	65,465,806	68,557,023	74,324,272	80,907,934	85,328,193	89,594,603
4 Federal Revenue		5,000	5,000					
5 State Revenue	5,750							
6 Charges for Services	350,052	555,000	555,000	555,000	555,000	555,000	555,000	555,000
7 Investment Earnings	1,982,947	1,776,359	1,776,359	1,304,250	962,850	949,200	1,403,500	1,121,400
8 Miscellaneous Revenue	663,346	450,000	450,000	450,000	450,000	450,000	450,000	450,000
9 Intergovernmental	111,825	85,000	85,000	85,000	87,125	89,303	91,536	93,824
10 Proceeds from Lease Agreement - Marana								
11 Total Operating Revenues	65,022,869	68,337,165	68,337,165	70,951,273	76,379,247	82,951,437	87,828,229	91,814,827
12								
13 Expenditures								
14 Operating Expenditures - excluding items below	17,829,075	24,756,288	24,756,288	23,385,260	23,969,892	24,569,139	25,183,368	25,812,952
15 Employee Compensation	23,473,498	28,228,983	28,228,983	28,934,708	29,658,075	30,399,527	31,159,516	31,938,503
16 Additional FTE's		825,000	825,000	2,632,500	3,236,625	3,398,456	3,568,379	3,746,798
17 Interest Expense								
18 Administrative Overhead	4,154,623	3,799,146	3,799,146	3,894,125	3,991,478	4,091,265	4,193,546	4,298,385
19 Insurance	238,211	243,259	243,259	249,340	255,574	261,963	268,512	275,225
20 Capital Expenditures	16,281	1,617,000	1,617,000	650,000	650,000	650,000	650,000	650,000
21 Total Operating Expenditures	45,711,688	58,644,676	59,469,676	59,745,933	61,761,644	63,370,351	65,023,321	66,721,864
22								
23 Net Income (loss)	19,311,181	9,692,489	8,867,489	11,205,339	14,617,603	19,581,086	22,804,908	25,092,963
24								
25 Cash Flow from Operations, after Transfers								
26 Net Income (Loss)	19,311,181	9,692,489	8,867,489	11,205,339	14,617,603	19,581,086	22,804,908	25,092,963
27 Transfer Out - Other Special Revenue - CWD PEEPs	-	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
28 Transfer Out - Replace COT PEEPs	-	-	(430,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
29 Transfers Out - Debt Service for Main Library	-	-	(308,000)	(2,346,000)	(2,848,800)	(2,787,500)	(3,976,400)	(3,877,700)
30 Transfers Out - Debt Service for ERP	(142,854)	(145,324)	(145,324)	(76,531)	(76,531)	(76,531)	(76,531)	(76,531)
31 Transfers Out - Broadband Initiative Match	(1,875,000)	(1,875,000)	(1,875,000)	(2,375,000)	-	-	-	-
32 Transfers Out - Cox-ACCA Grant Match (LIBINT)	22,906	(1,250,000)	(1,250,000)	-	-	-	-	-
33 Transfers Out - Native Plant Nursery	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
34 Transfers Out - Project Design Construction	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
35 Transfers Out - General Fund	(727)	-	-	-	-	-	-	-
36 Transfers Out - Capital & Renewal Projects	(10,545,810)	(5,097,904)	(1,000,000)	(4,862,905)	(5,095,838)	(5,376,619)	(5,670,183)	(5,953,692)
37 Transfers Out - Future pay as you go Capital Projects	-	(4,637,964)	(4,637,964)	-	-	-	-	-
38 Himmel Library - 23163PJ	(4,354,350)	(2,354,350)	(2,354,350)	(5,027,018)	-	-	-	-
39 Richard Elias Mission Library - 20173PJ	(3,996,939)	(3,996,939)	(3,996,939)	-	-	-	-	-
40 LIB - Broadband Fiber Buildout - Cox ABDG - 22193PJ	(1,250,000)	(1,250,000)	(1,250,000)	-	-	-	-	-
41 Library Network Equipment - 22191PJ	(264,000)	(264,000)	(264,000)	-	-	-	-	-
42 Main Library Relocation - 25003PLIB	(1,000,000)	(6,600,000)	(6,600,000)	(13,000,000)	(3,400,000)	-	-	-
43 Martha Cooper Library Expansion - 19166PJ	(300,000)	(600,000)	(600,000)	-	-	-	-	-
44 Southwest Library - 25002PLIB	(500,000)	(250,000)	(250,000)	(5,350,000)	(9,750,000)	(750,000)	-	-
45 Valencia Library - planned	-	-	-	-	(1,000,000)	(3,500,000)	(8,500,000)	(4,000,000)
46 Quincie Douglas Library - planned	-	-	-	-	-	(1,000,000)	(1,000,000)	(4,000,000)
47 Cash Flow from Operations, after Transfers	6,749,696	(14,333,703)	(11,796,799)	(9,725,097)	(7,548,567)	(429,664)	1,311,794	3,415,041
48								
49 Fund Balance Calculation								
50 Beginning Fund Balance	38,212,327	44,962,023	44,962,023	33,165,223	23,440,127	15,891,560	15,461,896	16,773,690
51 Ending Fund Balance	44,962,023	30,628,319	33,165,223	23,440,127	15,891,560	15,461,896	16,773,690	20,188,731
52								
53 Sources and Uses of Funds								
54 Sources								
55 Cash Flow from Operations, after Transfers	6,749,696	(14,333,703)	(11,796,799)	(9,725,097)	(7,548,567)	(429,664)	1,311,794	3,415,041
56 Property Tax Receivable (Beginning)	842,213	1,165,983	1,165,983	1,767,577	1,851,040	2,006,755	2,184,514	2,303,861
57 Property Tax Receivable (Ending)	(1,165,983)	(1,767,577)	(1,767,577)	(1,851,040)	(2,006,755)	(2,184,514)	(2,303,861)	(2,419,054)
58 Accounts Receivable (Beginning)	261,987	158,021	158,021	86,467	86,467	86,467	86,467	86,467
59 Accounts Receivable (Ending)	(158,021)	(66,467)	(66,467)	(66,467)	(66,467)	(66,467)	(66,467)	(66,467)
60 Interest Receivable (Beginning)	153,017	124,528	124,528	139,188	108,688	80,238	79,100	116,958
61 Interest Receivable (Ending)	(124,528)	(131,000)	(131,000)	(108,688)	(80,238)	(79,100)	(116,958)	(93,450)
62 Due from Other Funds (Beginning)	-	-	-	-	-	-	-	-
63 Due from Other Funds (Ending)	-	-	-	-	-	-	-	-
64 Due from Other Governments (Beginning)	4,345	(26,519)	(26,519)	6,700	6,700	6,700	6,700	6,700
65 Due from Other Governments (Ending)	26,519	(6,700)	(6,700)	(6,700)	(6,700)	(6,700)	(6,700)	(6,700)
66 Loan Receivable (Beginning)	91,900	45,950	45,950	-	-	-	-	-
67 Loan Receivable (Ending)	(45,950)	-	-	-	-	-	-	-
68 Prepads (Beginning)	405,676	284,642	284,642	548,138	548,138	548,138	548,138	548,138
69 Prepads (Ending)	(284,642)	(548,138)	(548,138)	(548,138)	(548,138)	(548,138)	(548,138)	(548,138)
70 Total Sources	6,756,234	(15,101,001)	(12,572,285)	(9,778,060)	(7,675,832)	(606,285)	1,154,589	3,323,356
71								
72 Uses								
73 Accounts Payable (Beginning)	1,182,817	255,564	255,564	1,898,877	1,730,539	1,772,632	1,815,778	1,860,002
74 Accounts Payable (Ending)	(255,564)	(1,898,877)	(1,898,877)	(1,730,539)	(1,772,632)	(1,815,778)	(1,860,002)	(1,905,333)
75 Interest Payable (Beginning)	-	-	-	-	-	-	-	-
76 Interest Payable (Ending)	2,022	-	-	-	-	-	-	-
77 Due to other Funds (Beginning)	-	-	-	-	-	-	-	-
78 Due to other Funds (Ending)	-	-	-	-	-	-	-	-
79 Due to other Government (Beginning)	520	-	-	-	-	-	-	-
80 Due to other Government (Ending)	-	-	-	-	-	-	-	-
83 Deferred Inflows/Unearned Revenues (Beginning)	731,739	932,633	932,633	1,833,043	1,919,597	2,081,080	2,265,422	2,389,189
84 Deferred Inflows/Unearned Revenues (Ending)	(932,633)	(1,833,043)	(1,833,043)	(1,919,597)	(2,081,080)	(2,265,422)	(2,389,189)	(2,508,649)
85 Accrued Compensation Payable (Beginning)	138	138	138	217,284	334,000	570,486	584,745	599,360
86 Accrued Compensation Payable (Ending)	(138)	(122,399)	(122,399)	(217,284)	(334,000)	(570,486)	(584,745)	(599,360)
87 Total Uses	728,901	(2,665,983)	(2,760,868)	(34,932)	(440,062)	(241,747)	(182,607)	(302,610)
88								
89 Net Sources over Uses	6,027,334	(12,435,018)	(9,811,416)	(9,743,128)	(7,235,770)	(364,538)	1,337,196	3,625,966
90								
91 Net Sources over Uses	6,027,334	(12,435,018)	(9,811,416)	(9,743,128)	(7,235,770)	(364,538)	1,337,196	3,625,966
92 Beginning Cash Balance	28,668,753	32,696,086	32,696,086	22,884,670	13,141,542	5,905,772	17,244,555	18,581,750
93 Ending Cash Balance	32,696,086	20,281,068	20,281,068	13,141,542	5,905,772	5,541,234	18,581,750	22,207,717
94 Projected Ending Cash Balance in LGIP	11,703,321	11,703,321	11,703,321	11,703,321	11,703,321	11,703,321	11,703,321	-
95 Projected Ending Cash Balance*	\$ 44,399,407	\$ 31,964,389	\$ 34,587,991	\$ 24,844,863	\$ 17,609,093	\$ 17,244,555	\$ 30,285,071	\$ 22,207,717
96								
97 3 Month Reserve on Expenditures	11,422,435	\$ 11,427,922	14,867,419	14,936,483	15,440,411	15,842,588	16,255,830	16,880,466
98 Projected Ending Cash Balance after Reserve Requirement is met	\$ 32,976,972	\$ 20,536,467	\$ 19,720,572	\$ 9,908,380	\$ 2,168,682	\$ 1,401,967	\$ 14,029,241	\$ 5,527,251

* The above Forecasted Ending Cash Balance is only an estimate as it includes forecasts obtained from the department and estimates for ending Balance Sheet line items.

** Ending balance includes \$11.7 million in LGIP Pool 500 as collateral for Middle Mile Grant

** Any increase from expansion of services will need to be covered by increase to secondary tax rate

ATTACHMENT 2



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

Subject: Library District Establishment and Use of Reserves	Policy Number	Page
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Purpose

To establish a policy for the maintenance and use of reserve accounts for the Library District Fund in Pima County. This policy outlines the process for achieving and maintaining targeted fund balance and cash reserve levels, as well as their specific uses.

Background

This policy ensures that the Library District Fund maintains appropriate fund balance and cash reserves to:

- Provide sufficient working capital to meet cash flow needs throughout the year.
- Ensure a stable and predictable tax rate structure capable of withstanding significant economic downturns.
- Provide one-time funding for unforeseen emergency expenditures, accessible with Board of Supervisors' approval.

The Department of Finance and Risk Management conducts an annual analysis of the fund balance and cash reserves. This evaluation considers department operations, capital needs, and the sufficiency of revenue from existing tax rates to determine whether tax rate increases are necessary.

Definitions

Fund Balance Reserve: The required balance in the Library District Fund, calculated as the difference between net operating income and operating expenditures, including transfers.

Cash Balance Reserve: The required cash balance in the Library District Fund.



PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS POLICY

Subject: Library District Establishment and Use of Reserves	Policy Number	Page
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Policy

A. Maintaining Library District Fund and Cash Balance Reserves

1. To ensure the Library District maintains adequate fund balance reserves, the following guidelines shall apply:

a. Reserve Requirements:

- Maintain a fund balance reserve equal to three months of the previous year's actual operating expenditures.
- Maintain a cash balance reserve equal to three months of current year's budgeted operating expenditures.

b. Emergency Expenditures:

- In the event of an emergency expenditure that cannot be covered by reducing operating expenses, the department will request to access reserve funds from County Administration. County Administration will review the request and present it to the Board of Supervisors for consideration.

c. Tax Rate Structure:

- Structure library tax rates to ensure sufficient reserves to meet the requirements outlined above.

d. Use of Reserves:

- The Board of Supervisors may approve the use of reserves for:
 - Operating emergencies.
 - Unanticipated budgetary shortfalls.

Any use of reserves must include a plan to restore the fund balance and cash reserves to the minimum required balance within three years. The department will make every effort to replenish the fund balance and cash reserves as quickly as possible. The replenishment period may not exceed three years without the express approval of the Board of Supervisors.

e. Ongoing Monitoring and Compliance:

- Library Administration, under advisement of the Library District Advisory Board, will annually monitor the financial condition of the fund and make recommendations as appropriate.