



MEMORANDUM

Date: January 15, 2025

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

From: Jan Lesh 
 County Administrator

Re: **Financial Forecast – November 2024 Period 5**

The following information represents the Financial Forecast as of November 30, 2024, compiled using the forecasts provided by departments for Period 5.

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. This represents an increase from the preceding year, necessitating an adjustment in the General Fund reserve from \$98.0 million to \$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 5, General Fund Revenues are projected to exceed the budgeted amount by approximately \$6.0 million. This increase is due to a slight increase in State Shared Sales Tax revenues of \$2.0 million, a \$3.3 million refund for Arizona Long Term Care System (ALTCS), as well as higher than expected departmental revenues offset by a \$700 thousand decrease 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 November 30, 2024.

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	42% Target Received/ Spent
Real Property Taxes	439,912,058	232,060,694	438,807,585	(1,104,473)	53%
Delinquent Real Property Taxes	5,858,000	(1,326,633)	5,858,000	-	-23%
Personal Property Taxes	12,412,518	7,231,203	12,756,453	343,935	58%
Delinquent Personal Property Taxes	349,000	(150,571)	349,000	-	-43%
Interest & Penalties on Delinquent Property Taxes	5,580,000	1,060,887	5,580,000	-	19%
	\$ 464,111,576	\$ 238,875,580	\$ 463,351,038	\$ (760,538)	51%

FINANCIAL SERVICES
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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 November 30, 2024. Finance is projecting an increase of \$2.0 million in State Shared Sales Taxes. This is a positive trend that we are projecting to continue into 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	42% Target Received/ Spent
State Shared Sales Tax	182,000,000	64,016,364	184,000,000	2,000,000	35%
Vehicle License Tax	36,800,000	14,262,249	36,800,000	-	39%
Overhead General Fund	16,162,316	4,014,043	16,162,316	-	25%
Pooled Investment Interest Revenue	5,000,000	1,799,742	5,000,000	-	36%
Federal In Lieu Payment	4,529,000	-	4,529,000	-	0%
Transient Lodging Excise Tax (Stadium)	3,794,400	901,820	3,794,400	-	24%
General Government Fees	1,872,155	1,985,290	1,872,155	-	106%
Business Licenses & Permits	3,300,000	791,196	3,300,000	-	24%
Alcoholic Beverage Tax	60,000	24,000	60,000	-	40%
City In Lieu Payment	60,000	-	60,000	-	0%
Other Miscellaneous Revenue	2,000	-	2,000	-	0%
Overages & Shortages	(6,000)	(881)	(6,000)	-	15%
	\$ 253,573,871	\$ 87,793,823	\$ 255,573,871	\$ 2,000,000	35%

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 November 30, 2024, which includes the ALTCS refund of \$3.3 million.

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	42% Target Received/ Spent
Sheriff	8,246,160	3,990,262	9,301,119	1,054,959	48%
Justice Court Tucson	5,427,666	1,991,179	5,157,317	(270,349)	37%
Recorder	4,250,000	2,206,910	4,464,808	214,808	52%
Clerk of the Superior Court	2,894,538	870,340	2,574,902	(319,636)	30%
Real Property Services	1,556,379	1,052,676	1,565,608	9,229	68%
Medical Examiner	1,514,500	602,792	1,486,250	(28,250)	40%
Public Defense Services	1,379,190	376,064	1,381,704	2,514	27%
Facilities Management	1,416,767	741,253	1,570,921	154,154	52%
Pima Animal Care	1,332,425	634,722	1,415,866	83,441	48%
Superior Court	754,228	146,424	586,391	(167,837)	19%
Information Technology	732,164	580,508	744,188	12,024	79%
Elections	630,000	153,048	1,288,686	658,686	24%
Communications Office	505,000	209,243	503,826	(1,174)	41%
Finance - Mandated Payments	-	3,331,804	3,331,804	3,331,804	0%
	\$ 30,639,017	\$ 16,887,225	\$ 35,373,389	\$ 4,734,371	55%

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 \$16.2 million as of Period 5.

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 \$125.2 Million as of Period 5. 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 5 Forecast is outlined below. The Period 5 Forecast shows an increase of \$4.8 million in total revenues and a decrease in forecasted operating expenditures under the Adopted Budget for FY 2024/25 by approximately \$4.9 million.

Fiscal Year 2024/25 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
 As of November 2024 - Period 5

Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	42% Target Received/Spent
Beginning General Fund Balance	\$ 125,335,198	\$ 132,086,235	\$ 132,086,235	\$ 6,751,037	
Revenues					
General Fund Revenues	756,822,108	342,645,723	762,857,154	6,035,046	45%
Operating Transfers In	17,455,388	6,111,725	16,201,120	(1,254,268)	35%
Total Revenues	774,277,496	348,757,448	779,058,274	4,780,778	45%
Expenditures					
Operating Expenditures	677,333,993	263,582,040	672,417,452	4,916,541	39%
Operating Transfers Out	124,332,935	78,306,771	125,167,810	(834,875)	63%
Reserve	97,945,766	-	-	97,945,766	0%
Total Expenditures	899,612,694	341,888,811	797,585,262	102,027,432	38%
Ending Fund Balance	-	-	113,559,247	113,559,247	
Unrestricted General Fund Reserve			113,559,247		
Unrestricted General Fund Balance - per Board Policy					Over/Under
	Minimum 17% of Expenditures		\$ 104,292,631	\$ 9,266,616	
			Affordable Housing	1,400,000	
			General Fund Contingency	6,751,037	
			Available Unrestricted General Fund Balance after Adjustments	\$ 1,115,579	

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

Community Workforce Development:

Period 5: \$735,591 - Over Budget

- In July, after the adoption of the FY 2024/25 Budget, a decision was made to move the Job Path contract from Economic Development to CWD. The contract and the associated budget adjustment was for \$600,000, hence the over Adopted budget variance. The department is managing within their Revised budget. While currently forecasting to be over budget an addition \$135,000 due to renovations at the old PVHS building, the department is working with Finance to bring the expenditures in line with the Revised budget by June 30, 2025.

Sheriff's Department:

Period 5: \$4,700,364 – Over Budget

- Overtime, including Initial Appearance Pay, is forecast to exceed the budget by \$2.7 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.

State Cost Shifts

As stated in my December 2, 2024 - Update on the State Cost Shifts for Fiscal Year 2024/25 memorandum to the Board, there was an increase in State Cost Shifts for FY 2024/25 from \$110.3 million to \$121.3 million. These transfers are nearly \$11.0 million more than the FY 2023/24 amounts. Per BOS policy D 22.13, we are programming a \$0.095 tax increase in the FY 2025/26 Budget to neutralize the impact of the cost shifts incurred during FY 2024/25.

FY 2025/26 Budget

Departmental CIP budgets were due on January 10th and requested budgets, as well as supplemental requests, are due on January 17, 2025. Departments will be meeting with County Administration over the next several weeks to review their requested budgets. As outlined in previous memos, supplemental budget requests will be reviewed at the February 18, 2025 Board meeting and the Capital Budget Program will be reviewed at the March 18, 2025 Board meeting.

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- c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Ellen Moulton, Director, Finance and Risk Management
Art Cuaron, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management