



MEMORANDUM

Date: December 29, 2025

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

From: Jan Lesh
County Administrator

Re: **Financial Forecast – November 2025 Period 5**

The following information represents the December Financial Forecast based on actual expenditures as of November 30, 2025.

Departments are required to provide a forecast for the fiscal year ending June 30, 2026. 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 fiscal year-end amounts.

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. This requirement was temporarily reduced to 15 percent for the Fiscal Year (FY) 2025/26 Adopted Budget. Accordingly, the FY 2025/26 required General Fund reserve balance is approximately \$92 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 5, General Fund revenues are projected to exceed the budgeted amount by approximately \$726,000, primarily driven by an approximately \$881,000 increase in State Shared Sales Tax revenues. This operational revenue growth is partially offset by an approximate \$899,000 reduction in transfers in, reflecting lower than budgeted indirect cost recoveries from grants. As a result, overall fiscal year-end revenue is forecasted to be approximately \$173,000 lower than budgeted.

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, 2025. The forecast projects a variance of \$255,575 less in property tax revenues which is due to the following factors:

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- a) Delinquent real property taxes decreased by \$200,000 as a result of FY 2024/25 collections exceeding expectations, leaving less delinquent revenue to collect in FY 2025/26.
- b) Delinquent interest revenues decreased by \$300,000 as a result of taxpayers making timely payments.
- c) Unsecured personal property taxes increased by \$244,425, reflecting a 2.9 percent rise in net assessed value in the actual billing roll compared to the December 2024 planning roll used for the budget.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Property Tax Revenues

	FY 25/26 Budget	FY 25/26 Actuals as of November	FY 25/26 Projected as of December	Variance	42% Target Received/Spent
Real Property Taxes	474,438,395	246,751,508	474,438,395	-	52%
Delinquent Real Property Taxes	5,443,800	2,289,228	5,243,800	(200,000)	42%
Personal Property Taxes	11,886,945	6,572,258	12,131,370	244,425	55%
Delinquent Personal Property Taxes	324,000	91,076	324,000	-	28%
Interest & Penalties on Delinquent Property Taxes	5,990,000	1,475,252	5,690,000	(300,000)	25%
	\$ 498,083,140	\$ 257,179,322	\$ 497,827,565	\$ (255,575)	52%

State, Federal, and Other Non-Departmental Revenues

Non-Departmental Revenues are a composite of various General Government revenues that are not associated with an individual department. Below is a table listing the types of revenues as of November 30, 2025. Finance is projecting an increase of approximately \$681,000, driven by two factors: an approximate \$881,000 increase in State Shared Sales Taxes, as collections for the first five months of the fiscal year were slightly higher than expected, partially offset by a projected \$200,000 decrease in Pooled Investment Interest Revenue. The decrease in interest revenue reflects the Treasurer's Office recovering approximately \$800,000 in prior overpayments resulting from overstated investment earnings, partially offset by \$600,000 in higher than budgeted interest returns.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the State and Federal Revenues

	FY 25/26 Budget	FY 25/26 Actuals as of November	FY 25/26 Projected as of December	Variance	42% Target Received/Spent
State Shared Sales Tax	187,118,653	65,233,620	188,000,000	881,347	35%
Vehicle License Tax	37,032,709	14,204,682	37,032,709	-	38%
Overhead General Fund	14,800,484	7,400,242	14,800,484	-	50%
Pooled Investment Interest Revenue	6,250,000	1,226,610	6,050,000	(200,000)	20%
Federal In Lieu Payment	4,808,000	-	4,808,000	-	0%
Transient Lodging Excise Tax (Stadium)	3,604,000	848,081	3,604,000	-	24%
General Government Fees	2,030,262	1,010,659	2,030,262	-	50%
Business Licenses & Permits	3,100,000	870,170	3,100,000	-	28%
Alcoholic Beverage Tax	60,000	18,000	60,000	-	30%
City In Lieu Payment	60,000	53,609	60,000	-	89%
Other Miscellaneous Revenue	2,000	8,889	2,000	-	444%
Overages & Shortages	(6,000)	(261)	(6,000)	-	4%
	\$ 258,860,108	\$ 90,874,301	\$ 259,541,455	\$ 681,347	35%

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General Fund Departmental Revenues

General Fund Departmental Revenues consist of fees collected by departments through their various activities. These activities differ by department and include items such as licenses and permits, charges for services, fines and forfeitures, and rental property income. The table below summarizes the departments generating the majority of Departmental Revenues as of November 30, 2025.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Departmental Revenues

	FY 25/ 26 Budget	FY 25/ 26 Actuals as of November	FY 25/ 26 Projected as of December	Variance	42% Target Received/Spent
Sheriff	8,246,631	4,134,538	8,245,722	(909)	50%
Justice Court Tucson	5,427,666	2,409,990	5,427,666	-	44%
Recorder	9,322,290	1,592,899	9,322,290	-	17%
Clerk of the Superior Court	2,541,385	839,111	2,541,385	-	33%
Real Property Services	1,556,379	1,204,307	1,563,885	7,506	77%
Medical Examiner	1,910,000	810,158	1,910,290	290	42%
Public Defense Services	1,379,190	437,674	1,379,824	634	32%
Facilities Management	1,560,305	717,633	1,568,985	8,679	46%
Pima Animal Care	1,332,425	530,466	1,130,703	(201,722)	40%
Superior Court	754,228	183,585	694,968	(59,260)	24%
Information Technology	732,164	127,720	742,028	9,864	17%
Elections	2,163,482	23,011	2,163,552	70	1%
Communications Office	505,000	233,139	505,287	287	46%
	\$ 37,431,145	\$ 13,244,231	\$ 37,196,585	\$ (234,560)	35%

General Fund Expenditures

Based on the Period 5 forecast and working with the individual departments, the General Fund is projected to realize approximately \$6.8 million in operating expenditure savings. These savings are partially offset by an estimated \$238,000 overage in transfers out, driven by unbudgeted operating transfers to fund renovations for the Clerk of the Court.

General Fund Summary and Fund Balance Overview

The General Fund's high-level Period 5 Forecast is summarized below. It projects an overall approximate \$173,000 decrease in total revenue, and approximately \$6.6 million in total expenditure savings 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 Board of Supervisors approved the reserve requirement returning 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.

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**Fiscal Year 2025/ 26 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
As of November 2025 - Period 5**

Fund Balance Summary	Adopted	FY25/ 26 Actuals	FY 25/ 26 Projected	Variance	42% Target Received/Spent
		as of November	as of December		
Beginning General Fund Balance	\$ 118,366,104	\$ 126,746,493	\$ 126,746,493	\$ 8,380,389	
Revenues					
General Fund Revenues	802,571,937	363,982,981	803,298,049	726,112	45%
Operating Transfers In	26,811,168	22,346,885	25,912,394	(898,774)	83%
Total Revenues	829,383,105	386,329,866	829,210,443	(172,662)	47%
Expenditures					
Operating Expenditures	722,048,028	276,098,632	715,218,560	6,829,468	38%
Operating Transfers Out	133,678,271	81,890,546	133,915,794	(237,523)	61%
Total Expenditures	855,726,299	357,989,178	849,134,354	6,591,945	42%
Ending Fund Balance	92,022,910	-	106,822,582	14,799,672	

Unrestricted General Fund Reserve 106,822,582

Unrestricted General Fund Balance - per Board Policy

		<u>Over/Under</u>
FY 2025/26 Minimum	15% of Expenditures	\$ 92,022,910 \$ 14,799,672
Short-Term Crisis Funding		(838,390)
Available Unrestricted General Fund Balance after Adjustments	\$	13,961,282

Unrestricted General Fund Balance - per Board Policy - FY 26/ 27 Projection

		<u>Over/Under</u>
FY 2026/27 Minimum	17% of Expenditures	\$ 103,367,589 \$ 3,454,993
Short-Term Crisis Funding		(838,390)
Available Unrestricted General Fund Balance after Adjustments	\$	2,616,603

General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 5, \$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.

Summary

The performance and forecast for FY 2025/26 through Period 5 indicates a stable fiscal outlook, with revenues (excluding transfers in) exceeding projections and expenditures (excluding transfers out) trending lower than budget. While these results are positive, continued monitoring of financial performance is critical. We will closely track trends, both favorable and concerning and provide monthly updates to the Board of Supervisors to ensure timely awareness and informed decision-making. At this time, it is recommended that the forecasted overall increase in Fund Balance be applied towards the FY 2025/27 budget.

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