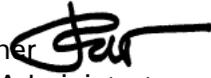




MEMORANDUM

Date: June 12, 2024

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

From: Jan Leshner 
County Administrator

Re: **Financial Forecast – April 2024**

The following information represents the Financial Forecast as of April 30, 2024, compiled using the forecasts provided by departments for Period 10.

Departments are required to provide a forecast for the fiscal year ending June 30, 2024. 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](#) established that 17% of the previous year's General Fund audited operating expenditures are to be set aside as an unrestricted General Fund reserve. The Annual Comprehensive Financial Report for the County was published on February 29, 2024. The audited General Fund expenditures for FY 2022/23, applicable to the policy, were \$576 million. This figure represents an increase from the preceding year, necessitating an adjustment in the General Fund reserve from \$93 million to \$98 million, a 5.2% increase.

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 10, General Fund Revenues are projected to exceed the budgeted amount by approximately \$16.0 million or 2.24%. This increase is primarily due to the Arizona Long Term Care System (ALTCS) refund of \$6.6 million and increases in the State Shares Sales Tax of \$5.5 million and Interest Income of \$2.5 million.

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 April 30, 2024. You will note there is a decrease in Real Property Taxes. Southwest Gas reached a

settlement with the State tax court that reduced the assessed value of their property, thereby lowering the taxes due. This settlement impacted both Tax Years 2022 and 2023.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Property Tax Revenues					
			Year-to-Date	FY 23/24	
		FY 23/24 BUDGET	ACTUAL	PROJECTED	VARIANCE
Real Property Taxes		405,546,477	301,730,309	404,500,000	(1,046,477)
Delinquent Real Property Taxes		5,462,000	4,706,334	4,639,000	(823,000)
Personal Property Taxes		12,932,989	11,219,278	12,932,989	-
Delinquent Personal Property Taxes		326,000	209,442	326,000	-
Interest and Penalties on Delinquent Property Taxes		5,370,000	4,973,378	5,700,000	330,000
		\$ 429,637,466	\$ 322,838,741	\$ 428,097,989	\$ (1,539,477)

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 April 30, 2024. Finance is projecting an increase of \$5.5 million in State Shared Sales Taxes and \$2.5 million in Interest Revenue. This is a 3.22% increase from the FY 2024 Budget.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the State and Federal Revenues					
			Year-to-Date	FY 23/24	
		FY 23/24 BUDGET	ACTUAL	PROJECTED	VARIANCE
State Shared Sales Tax		180,000,000	136,367,206	185,500,000	5,500,000
Vehicle License Tax		35,000,000	27,717,159	35,000,000	-
Overhead General Fund		15,851,403	13,209,500	15,851,403	-
Pooled Investment Interest Revenue		4,500,000	4,427,921	7,000,000	2,500,000
Federal In Lieu Payment		4,272,000	-	4,398,000	126,000
Transient Lodging Excise Tax (Stadium)		3,641,400	2,903,922	3,641,400	-
General Government Fees		1,625,558	1,404,471	1,665,558	40,000
Business Licenses & Permits		3,300,000	2,306,440	3,130,000	(170,000)
Alcoholic Beverage Tax		60,000	27,000	45,000	(15,000)
City In Lieu Payment		60,000	(51,908)	60,000	-
Other Miscellaneous Revenue		2,000	5,455	5,000	3,000
Overages & Shortages		(6,000)	(876)	(6,000)	-
		\$ 248,306,361	\$ 188,316,290	\$ 256,290,361	\$ 7,984,000

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 April 30, 2024. The ALTCS refund is shown under the Finance – Mandated Payments.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Departmental Revenue					
		FY 23/24 BUDGET	Year-to-Date ACTUAL	FY 23/24 PROJECTED	VARIANCE
Sheriff		8,246,160	6,939,454	8,440,718	194,558
Justice Courts Tucson		5,427,666	4,254,685	5,469,108	41,442
Recorder		4,250,000	3,538,048	4,250,016	16
Clerk of the Superior Court		1,763,453	1,353,133	1,763,453	-
Real Property Services		1,518,665	1,803,634	2,060,560	541,895
Medical Examiner		1,414,500	1,425,730	1,659,500	245,000
Public Defense Services		1,379,190	965,138	1,138,737	(240,453)
Facilities Management		1,411,624	1,820,320	2,010,502	598,878
Pima Animal Care		1,214,425	1,269,631	1,394,064	179,639
Information Technology		732,164	787,442	732,328	164
Elections		603,000	300,005	700,427	97,427
Finance - Mandated Payments		-	6,607,633	6,607,633	6,607,633
		\$ 27,960,847	\$ 31,064,853	\$ 36,227,046	\$ 8,266,199

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. The County budgeted approximately \$5.1 million in Transfers In and is projecting to receive \$5.2 million as of Period 10.

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 \$124.7 million of Operating Transfers Out and is currently projecting to spend approximately \$125.2 Million as of Period 10. This variance is primarily due to unbudgeted operating transfers for the Sheriff’s Department recruiting and retention grant and time and effort associated with the Middle Mile grant.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the Operating Transfers Out				
	FY 23/24 BUDGET	Year-to-Date ACTUAL	FY 23/24 PROJECTED	VARIANCE
Transfers Out to Capital Projects	28,891,054	18,895,589	28,730,383	(160,671)
Transfers Out for Debt Service	60,391,993	60,331,993	60,331,993	(60,000)
Transfers Out to Support Non-General Fund Departments	35,454,238	28,830,722	36,100,992	646,754
	\$ 124,737,285	\$ 108,058,304	\$ 125,163,368	\$ 426,083

General Fund Expenditures

The General Fund's high-level Period 10 Forecast is outlined below.

Fiscal Year 2023/24 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund				
As of April 2024 - Period 10				
Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance
Beginning General Fund Balance	\$ 159,448,967	\$ 168,070,593	\$ 168,070,593	\$ 8,621,626
Revenues				
General Fund Revenues	715,310,722	551,294,793	731,344,989	16,034,267
Operating Transfers In	5,082,815	2,124,847	5,151,103	68,288
Total Revenues	720,393,537	553,419,640	736,496,092	16,102,555
Expenditures				
Operating Expenditures	662,032,001	532,338,585	654,929,122	7,102,879
Operating Transfers Out	124,737,285	108,058,304	125,163,368	(426,083)
Reserve	93,073,218	-	-	93,073,218
Total Expenditures	879,842,504	640,396,889	780,092,490	99,750,014
Ending Fund Balance	-	81,093,344	124,474,195	124,474,195
Unrestricted General Fund Reserve			124,474,195	
Unrestricted General Fund Balance - per Board Policy				Over/Under
	Minimum 17% of Expenditures		\$ 97,945,766	\$ 26,528,429

The Period 10 Forecast shows an increase of \$1.3 million in total revenues and \$2.2 million in forecasted total expenditures over the Period 8 Forecast. This results in a 0.69% decrease in the Fund Balance as compared to the Period 8 Forecast.

Each of the departments discussed below submitted Budget Remediation Plans to address the over budget status in May and are currently working with Finance to eliminate any discretionary spending through the remainder of the fiscal year.

The following departments are forecasted to be over budget by at least \$500,000 on June 30, 2024, by the amounts provided below.

Sheriff's Department:

Period 10: \$3,367,292 – Over Budget

- Most of this overage, \$3.4 million, is in personnel services, with the majority in Overtime. This is a significant decrease in overtime paid from FY 2022/23, which was \$9.7 million to approximately \$5.3 million.

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Public Defense Services (PDS):

Period 10: \$2,390,818 – Over Budget

- This overage is in the contract attorneys line item. This line item has a revised budget amount of \$8.0 million, but is forecasted at \$11.3 million, or \$3.3 million over budget. Vacancy savings is offsetting this overage by approximately \$1 million in vacancy saving.

Superior Court (SC):

Period 10: \$899,052 – Over Budget

- The overage is primarily due to increasing labor costs, software licensing costs and required out-of-state travel.

Non-General Fund Expenses

The following departments/funds are forecasted to be over budget on June 30, 2024.

Human Resources - Health Benefits Trust:

Period 10: \$1,009,305 – Over Budget

- The projected overage for the Health Benefit Trust has been reduced from \$2.4 million to just over \$1 million. This reduction is the result of a favorable third quarter for the Trust, marked by reduced medical claims expenses compared to the same period in the preceding two fiscal years.
- There is still an expected overall increase in medical and pharmacy claims expenses moving forward into next fiscal year. At the December 5, 2023, Board of Supervisors meeting, the Board approved the medical and dental insurance premiums for FY 2024/25. These approved premiums included increases to address this upward trend in medical and pharmacy claims expenses and the shortfall in reserves held by the Trust.

ITD - Enterprise Software:

Period 10: \$833,016 – Over Budget

- The overage has decreased by approximately \$770,000 since the Period 8 Forecast.
- The annual cost of the Microsoft Enterprise licensing has increased. Additionally, the educational discounts afforded to the Library were discontinued.

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RWRD – Regional Wastewater Reclamation

Period 10: \$719,559 – Over Budget

- Wastewater has made two adjustments to their operational budget by reallocating a portion of the CIP budget to cover extraordinary expenditures. These reallocations of budget have reduced the overage projected of \$2.9 million in Period 8.
- The cost of chemicals, utilities and repairs have increased more than anticipated due to inflation.

Non-General Fund Revenues

Transportation:

Period 10: \$1,859,551 – Under Budget for Revenue

- Due to a reduced forecast by the Arizona Department of Transportation for its Highway User Revenue Fund collections, the department is projecting a \$2.2 million revenue shortfall. Transportation has identified areas to reduce costs and continues to assess the implications of this on their service delivery in areas other than the Pavement Preservation Program.

JKL/anc

c: Carmine DeBonis Jr., Deputy County Administrator
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer
Steve Holmes, Deputy County Administrator
Ellen Moulton, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management