



MEMORANDUM

Date: April 11, 2025

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

From: Jan Lester *Jan*
County Administrator

Re: **Financial Forecast – February 2025 Period 8**

The following information represents the Financial Forecast as of February 28, 2025, compiled using the forecasts provided by departments for Period 8.

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 8, General Fund Revenues are projected to exceed the budgeted amount by approximately \$11.6 million. This increase is driven by a \$6.5 million rise in State Shared Sales Tax revenues, a \$3.3 million refund from the Arizona Long Term Care System (ALTCS), a \$1.0 million increase in pooled interest revenue due to higher interest rates which were expected to decline this year, 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 February 28, 2025. The reduction in property taxes is partly due to an increase in delinquent tax payments

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during FY 2023/24, resulting in fewer delinquent taxes available for collection in FY 2024/25.

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	67% Target Received/Spent
Real Property Taxes	439,912,058	269,371,658	439,240,000	(672,058)	61%
Delinquent Real Property Taxes	5,858,000	(1,326,633)	4,858,000	(1,000,000)	-23%
Personal Property Taxes	12,412,518	9,719,291	12,976,000	563,482	78%
Delinquent Personal Property Taxes	349,000	(150,571)	349,000	-	-43%
Interest & Penalties on Delinquent Property Taxes	5,580,000	2,452,765	5,580,000	-	44%
	\$ 464,111,576	\$ 280,066,510	\$ 463,003,000	\$ (1,108,576)	60%

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 February 28, 2025. Finance is projecting an increase of \$6.5 million in State Shared Sales Taxes and a \$1.0 million increase in pooled interest revenue due to higher interest rates, which were expected to decline this year. Both are positive trends 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	67% Target Received/Spent
State Shared Sales Tax	182,000,000	113,926,956	188,500,000	6,500,000	63%
Vehicle License Tax	36,800,000	22,935,524	36,800,000	-	62%
Overhead General Fund	16,162,316	7,024,576	16,162,316	-	43%
Pooled Investment Interest Revenue	5,000,000	3,738,873	6,000,000	1,000,000	75%
Federal In Lieu Payment	4,529,000	-	4,529,000	-	0%
Transient Lodging Excise Tax (Stadium)	3,794,400	1,569,768	3,454,400	(340,000)	41%
General Government Fees	1,872,155	3,479,886	1,872,155	-	186%
Business Licenses & Permits	3,300,000	1,438,971	3,100,000	(200,000)	44%
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)	(531)	(6,000)	-	9%
	\$ 253,573,871	\$ 154,141,023	\$ 260,533,871	\$ 6,960,000	61%

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 February 28, 2025, which includes the ALTCS refund of \$3.3 million.

The Honorable Chair and Members, Pima County Board of Supervisors
 Re: **Financial Forecast – February 2025 Period 8**
 April 11, 2025
 Page 3

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	67% Target Received/Spent
Sheriff	8,246,160	5,619,097	9,177,395	931,235	68%
Justice Court Tucson	5,427,666	3,247,288	5,240,087	(187,579)	60%
Recorder	4,250,000	2,855,788	4,737,277	487,277	67%
Clerk of the Superior Court	2,894,538	1,390,934	2,222,206	(672,332)	48%
Real Property Services	1,556,379	1,579,688	1,574,122	17,743	101%
Medical Examiner	1,514,500	1,284,892	1,789,717	275,217	85%
Public Defense Services	1,379,190	583,175	1,148,663	(230,527)	42%
Facilities Management	1,416,767	1,254,740	1,839,837	423,070	89%
Pima Animal Care	1,332,425	1,022,573	1,359,793	27,368	77%
Superior Court	754,228	235,933	793,289	39,061	31%
Information Technology	732,164	668,987	751,816	19,652	91%
Elections	630,000	1,458,677	1,460,641	830,641	232%
Communications Office	505,000	333,532	505,000	(0)	66%
Finance - Mandated Payments	-	3,331,804	3,331,804	3,331,804	0%
	\$ 30,639,017	\$ 24,867,108	\$ 35,931,646	\$ 5,292,629	81%

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 8.

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 \$124.8 million as of Period 8. 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 8 Forecast is outlined below. The Period 8 Forecast projects a \$9.8 million total revenue increase and a \$4.8 million decrease in operating expenditures compared to the Adopted Budget.

The Honorable Chair and Members, Pima County Board of Supervisors
 Re: **Financial Forecast – February 2025 Period 8**
 April 11, 2025
 Page 4

Fiscal Year 2024/25 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
 As of February 2025 - Period 8

Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	67% 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	463,194,892	768,405,865	11,583,757	61%
Operating Transfers In	17,455,388	12,635,677	15,647,799	(1,807,589)	72%
Total Revenues	<u>774,277,496</u>	<u>475,830,569</u>	<u>784,053,664</u>	<u>9,776,168</u>	61%
Expenditures					
Operating Expenditures	677,333,993	427,482,782	672,544,099	4,789,894	63%
Operating Transfers Out	124,332,935	85,252,170	124,829,697	(496,762)	69%
Reserve	97,945,766	-	-	97,945,766	0%
Total Expenditures	<u>899,612,694</u>	<u>512,734,952</u>	<u>797,373,796</u>	<u>102,238,898</u>	57%
Ending Fund Balance	<u>-</u>	<u>-</u>	<u>118,766,104</u>	<u>118,766,104</u>	
Unrestricted General Fund Reserve			118,766,104		
Unrestricted General Fund Balance - per Board Policy				<u>Over/Under</u>	
			Minimum 17% of Expenditures	\$ 104,292,631	<u>\$ 14,473,473</u>
			Affordable Housing	1,400,000	
			General Fund Contingency	<u>1,860,836</u>	
			Available Unrestricted General Fund Balance after Adjustments	<u>\$ 11,212,637</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 8: \$2,650,879 – 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 will continue to be an objective.

Sheriff's Department:

Period 8: \$3,934,373 – Over Budget

- Overtime, including Initial Appearance Pay, is forecast to exceed the budget 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.

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Financial Forecast – February 2025 Period 8**

April 11, 2025

Page 5

FY 2025/26 Budget

As we work to finalize the FY 2025/26 County Recommended Budget, this financial forecast will play an important role in determining the available unrestricted General Fund balance. The Recommended Budget will be distributed on April 25, 2025, for the Board's consideration and discussion at the May 20, 2025, Board of Supervisors meeting.

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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