



MEMORANDUM

Date: November 16, 2023

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

From: Jan Lester *Jan Lester*
County Administrator

Re: **Financial Forecast – September 2023**

The following information represents the Financial Forecast as of September 30, 2023, compiled using the forecasts provided by departments for Period 3.

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. Although audited financials won't be accessible until mid-January, Finance has projected the General Fund expenditures for Period 15 of FY 2022/23 to be \$607 million. This figure represents an increase from the preceding year, necessitating an adjustment in the General Fund reserve from \$93 million to \$103 million. This revised estimate will be utilized until the audited financial statements become available mid-January.

General Fund Revenues

As of the end of September, the General Fund Revenues are forecasted to be on target for the fiscal year.

Property Tax Revenues:	\$429,937,466
Other Base Revenues:	\$248,309,361

Since finalizing the September forecast, ADOT has projected a significant reduction, compared to budget, in Highway User Revenue Fund (HURF) and Vehicle License Tax (VLT) revenues for FY 2023/24, totaling approximately \$2.5 million for Transportation.

In addition, Southwest Gas has won their secured personal property tax assessed valuation case. This will impact primary property tax collections by approximately \$1.8 million. These adjustments will be reflected in the October 2023 forecast.

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General Fund Net Fund Impact and Transfers Out

General Fund Transfers Out shows a positive variance of \$2.8 million. This amount is mainly due to a reduction in match requirements for several departments.

General Fund Expenditures

As of Period 3, several departments have made forecasting corrections and are now projecting to be on or slightly under budget by the end of the fiscal year. These include Behavioral Health, Community Workforce Development, Natural Resources Parks & Recreation, and Public Defense Services. Finance has been working with these departments to refine the forecasting methodologies. The completion of the Classification and Compensation Study has contributed to stabilizing the personnel forecasting process.

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

Facilities Management:

Period 2: \$846,535

Period 3: \$365,425

- Most of this increase is due to the increases in TEP rates. Because this is an inflationary increase, Finance will continue to monitor these costs and, during Period 5 Forecast, will recommend distributing a portion of the inflation contingency.

Sheriff's Department:

Period 2: \$7,844,374

Period 3: \$6,151,313

- Most of this overage, \$4.6 million, is in personnel services, including \$3.9 million in overtime. This forecast was reduced by approximately \$600,000 from Period 2. If this trend holds, there will be a significant decrease in overtime from FY 2022/23, which was \$9.7 million. The Sheriff's Office has put in strategies to monitor overtime use and established several academies to hire additional Corrections Officers.
- Supplies are forecasted to be over by \$1.5 million. The line items forecasted to be over budget are in areas where inflation has had a significant impact: food, medical supplies, fuel, etc. As with Facilities Management, Finance will continue to monitor these costs and provide a recommendation for distributing the inflation contingency with the Period 5 Forecast.

The Honorable Chair and Members, Pima County Board of Supervisors

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- Similar to the trend observed in FY 2022/23, there is a persistent increase in high-cost claimants, leading to medical claims costs surpassing initial estimates. Additionally, Pima County has faced higher cost escalations than the national average. In response, County Administration is collaborating with Human Resources and Finance to develop a strategic plan to enhance the fund's financial stability.

ITD - Enterprise Software:

Period 2: \$662,852

Period 3: \$2,003,359

- The annual cost of the Microsoft Enterprise licensing is increasing by \$657,000. Additionally, subscription costs for the all modules of the new Enterprise Resource Planning (ERP) were not included in this department's FY 2023/24 Budget. A portion of these charges were budgeted in other departments. These projections are initial estimates and will be finalized in the coming months.

Period 3 is an early snapshot of the financial status of the County. Some of the complexities associated with the rollout of the Class and Compensation are now reflected in the September forecast. With the new and updated Board Policies on D 22.2 – [Budget Accountability](#) and D 22.15 – [Use of Contingency](#), the Monthly Financial Update is expected to provide additional context to the County's financial health.

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