



MEMORANDUM

Date: December 12, 2024

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

From: Jan Lester 
County Administrator

Re: **Financial Forecast – October 2024 Period 4**

The following information represents the Financial Forecast as of October 31, 2024, compiled using the forecasts provided by departments for Period 4.

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 February 29, 2024, with audited General Fund expenditures for FY 2022/23 of \$576 million. The ACFR for FY 2023/24 is currently being audited and is expected to be issued in late December 2024. Finance has projected the General Fund expenditures for FY 2023/24 to be \$613 million. This figure represents an increase from the preceding year, necessitating an adjustment in the General Fund reserve from \$98 million to \$104 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 4, General Fund Revenues are projected to exceed the budgeted amount by approximately \$2 million. This increase is primarily due to a slight increase in State Shared Sales Tax revenues of \$2 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 October 31, 2024.

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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	33% Target Received/ Spent
Real Property Taxes	439,912,058	105,236,339	438,807,585	(1,104,473)	24%
Delinquent Real Property Taxes	5,858,000	1,483,333	5,858,000	-	25%
Personal Property Taxes	12,412,518	5,513,701	12,756,453	343,935	44%
Delinquent Personal Property Taxes	349,000	240,252	349,000	-	69%
Interest & Penalties on Delinquent Property Taxes	5,580,000	698,002	5,580,000	-	13%
	\$ 464,111,576	\$ 113,171,627	\$ 463,351,038	\$ (760,538)	24%

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 October 31, 2024. Finance is projecting an increase of \$2 million in State Shared Sales Taxes.

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	33% Target Received/ Spent
State Shared Sales Tax	182,000,000	35,142,817	184,000,000	2,000,000	19%
Vehicle License Tax	36,800,000	10,999,551	36,800,000	-	30%
Overhead General Fund	16,162,316	5,984,824	16,162,316	-	37%
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	615,294	3,794,400	-	16%
General Government Fees	1,872,155	12,585	1,872,155	-	1%
Business Licenses & Permits	3,300,000	778,420	3,300,000	-	24%
Alcoholic Beverage Tax	60,000	12,000	60,000	-	20%
City In Lieu Payment	60,000	-	60,000	-	0%
Other Miscellaneous Revenue	2,000	-	2,000	-	0%
Overages & Shortages	(6,000)	(1,004)	(6,000)	-	17%
	\$ 253,573,871	\$ 55,344,229	\$ 255,573,871	\$ 2,000,000	22%

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 October 31, 2024.

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	33% Target Received/ Spent
Sheriff	8,246,160	\$3,217,301	9,365,217	1,119,057	39%
Justice Court Tucson	5,427,666	\$1,672,847	5,291,291	(136,375)	31%
Recorder	4,250,000	\$2,157,175	4,742,355	492,355	51%
Clerk of the Superior Court	2,894,538	\$656,914	2,630,111	(264,427)	23%
Real Property Services	1,556,379	\$924,445	1,962,031	405,652	59%
Medical Examiner	1,514,500	\$505,800	1,516,143	1,643	33%
Public Defense Services	1,379,190	\$331,271	1,382,155	2,965	24%
Facilities Management	1,416,767	\$510,266	1,458,490	41,723	36%
Pima Animal Care	1,332,425	\$524,722	1,436,577	104,152	39%
Superior Court	754,228	\$9,064	511,883	(242,345)	1%
Information Technology	732,164	\$469,619	732,164	-	64%
Elections	630,000	\$153,048	573,048	(56,952)	24%
Communications Office	505,000	\$178,592	515,259	10,259	35%
	\$ 30,639,017	\$ 11,311,065	\$ 32,116,724	\$ 1,477,707	37%

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 \$16.5 million as of Period 4.

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 \$125.5 Million as of Period 4. This \$1.2 million 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 4 Forecast is outlined below. The Period 4 Forecast shows an increase of \$1.9 million in total revenues and a slight decrease in forecasted total expenditures over the Adopted Budget for FY 2024/25 of approximately \$1.5 million.

Fiscal Year 2024/ 25 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund					
As of October 2024 - Period 4					
Fund Balance Summary	Adopted	Year To Date	Forecasted	Variance	33% 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	181,736,976	759,742,953	2,920,845	24%
Operating Transfers In	17,455,388	4,266,948	16,517,486	(937,902)	24%
Total Revenues	774,277,496	186,003,924	776,260,439	1,982,943	24%
Expenditures					
Operating Expenditures	677,333,993	200,694,679	674,651,325	2,682,668	30%
Operating Transfers Out	124,332,935	47,506,606	125,512,876	(1,179,941)	38%
Reserve	97,945,766	-	-	97,945,766	0%
Total Expenditures	899,612,694	248,201,285	800,164,201	99,448,493	28%
Ending Fund Balance	-	-	108,182,474	108,182,474	
Unrestricted General Fund Reserve			108,182,474		
Unrestricted General Fund Balance - per Board Policy				Over/Under	
	Minimum 17% of Expenditures		\$ 104,292,631	\$ 3,889,843	
			Affordable Housing	1,400,000	
			General Fund Contingency	2,489,843	
			Available Unrestricted General Fund Balance after Adjustments	\$ (0)	

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

Community Workforce Development:

Period 4: \$600,631 - 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.

Sheriff's Department:

Period 4: \$5,668,711 – Over Budget

- Overtime, including Initial Appearance Pay, is forecast to exceed the budget by \$2,669,574, 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.

Superior Court:

Period 4: \$536,713 – Over Budget

- The Superior Court is projecting to be over budget in the Mandated Services area of the Court. They continue to see pressure from increasing service demands caused by a rise in jury trials, increases for mental health consultant services and higher interpreter per diem costs.

Several General Fund departments have expressed concerns about meeting the 2% budget reduction included in the FY 2024/25 budget. Departments were requested to address this for the Period 4 Forecast. Finance is still working with the Assessor, Constables, Economic Development, Justice Courts – Green Valley and Real Property Services to finalize their plans to meet the 2% reductions. These five departments total approximately \$400,000 in reductions and Finance believes there will be plans in place with the Period 5 Forecast. As noted above, the Sheriff's Department currently does not appear to be able to achieve the required 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

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2023/24 amounts. The FY 2025/26 tax rate would have to increase by approximately \$0.095 to neutralize the impact of the FY 2024/25 budgeted cost shifts.

Vacant Positions

Per Board Policy D 22.16 Vacant Positions, Departments were notified of any position that would have been vacant for 240 days or greater effective January 1, 2025. There are a total of 111 positions: 35 – General Fund, 47 – Special Revenue Fund and 29 – Grant Funded. Departments have until December 13, 2024 to appeal the elimination of these positions. A report will be provided to the Board with the Financial Update at the January 21, 2025 meeting.

JKL/dym

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 and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management