



## MEMORANDUM

Date: June 21, 2022

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

From: Jan Leshner   
County Administrator

Re: **The Use of Fund Balance to Cover Additional Salary Increase Costs**

Several questions have been asked regarding the use of Fund Balance to cover additional costs related to the various salary increase scenarios.

On May 24, 2022, a memo was sent to the Board that included an overview of the County's Financial Structure. Within that memo, it listed the various Fund Types and Funds used here at the County. The Fund Balances within the Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service Funds are restricted in nature and therefore cannot be used to cover the raises in other funds (i.e., Enterprise Fund Balance cannot be used to cover the raises in the Special Revenue Funds and vice versa).

On May 31, 2022, a memo was sent to the Board that discussed the General Fund Balance. Within that memo, it included concerns of using the General Fund Balance (or "one-time money") for on-going expenses such as raises. The same concern applies to all funds. Using one-time money, fund balance, for on-going expenses will create a financial hole for the Board when adopting future year budgets. Therefore, to ensure that all funds are financially sound, I continue to recommend that all departments be required to eliminate vacant positions that are not currently being recruited or reduce other operational costs to fund the various salary increase scenarios.

In addition, to ensure that we maintain adequate Fund Balances within all funds in the future and satisfy the credit rating agency requirements, I have directed Finance and Risk Management to draft a Fund Balance policy for consideration by the Board. Further, to respond to the directive provided by Supervisor Scott at the June 7, 2022 Board meeting, this will also include a recommendation regarding the long-term management of vacant PCNs and vacancy savings moving forward.

JKL/anc

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works  
Francisco García, MD, MPH, Deputy County Administrator for Health & Community Services and Chief Medical Officer  
Michelle Campagne, Director, Finance and Risk Management

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