



MEMORANDUM

Date: June 3, 2026

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

From: Jan Leshner *JL*
County Administrator

Re: **Financial Forecast – May 2026, Period 10**

The following information represents the May Financial Forecast based on actual expenditures as of April 30, 2026.

Departments are required to provide a forecast for the fiscal year ending June 30, 2026. 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 percent of the previous year's General Fund audited operating expenditures be set aside as an unrestricted General Fund reserve. This requirement was temporarily reduced to 15 percent for the FY 2025/26 Adopted Budget. Accordingly, the FY 2025/26 required General Fund reserve balance is approximately \$92.0 million.

General Fund Revenues

General Fund revenues are comprised of three main sources: local property taxes, state and federal revenues, and departmental revenues. As of Period 10, General Fund revenues are projected to exceed the budgeted amount by approximately \$42.4 million. This increase is primarily driven by the \$20.8 million in Project Blue proceeds, a \$5.695 million refund related to the FY 2024/25 Arizona Long Term Care Services (ALTCS) payment, an approximate \$8.9 million increase in State Shared Sales Tax revenues as economic activity in Arizona continues at a healthy pace, and an approximately \$1.3 million increase resulting from the Arizona Department of Transportation's (ADOT) updated estimate of the portion of statewide Vehicle License Tax (VLT) revenues that support general County operations in its most recent 10-year forecast issued in late December 2025.

Period 10 reflects the reversal of the \$1.8M revenue loss because of the Assessor identifying about 600 commercial properties that were incorrectly assessed for Tax Years 2022 through 2025. The refunds will not be issued before the end of FY 2026 and will instead be reflected in the FY 2027 forecasts.

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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, 2026. The forecast projects a variance in property tax revenues which is due to the following factors:

- a) As of Period 10 the refunds for the approximately 600 commercial properties will not be paid before the end of FY 2026 and will instead be reflected in the FY 2027 forecasts. This was reported in previous monthly forecasts as an approximately \$1.8 million reduction in property tax revenues due to the Assessor identifying approximately 600 commercial properties that were incorrectly assessed between Tax Years 2022 and 2025.
- b) Delinquent interest revenues decreased by \$300,000 as a result of taxpayers making timely payments.
- c) Unsecured personal property taxes increased by \$344,425, reflecting a 2.9 percent rise in net assessed value in the actual billing roll compared to the December 2024 planning roll used for the budget.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Property Tax Revenues

	FY 25/26 Budget	FY25/26 Actuals as of April	FY 25/26 Projected as of May	Variance	83% Target Received/Spent
Real Property Taxes	474,438,395	341,202,308	474,438,395	-	72%
Delinquent Real Property Taxes	5,443,800	5,261,127	5,282,400	(161,400)	97%
Personal Property Taxes	11,886,945	10,335,206	12,231,370	344,425	87%
Delinquent Personal Property Taxes	324,000	111,235	224,000	(100,000)	34%
Interest & Penalties on Delinquent Property Taxes	5,990,000	4,490,797	5,690,000	(300,000)	75%
	\$ 498,083,140	\$ 361,400,673	\$ 497,866,165	\$ (216,975)	73%

State, Federal, and Other Non-Departmental Revenues

Non-Departmental Revenues are a composite of various General Government revenues that are not associated with an individual department. The table below lists these revenue types as of April 30, 2026. Finance is projecting a net increase of approximately \$11.5 million, driven by several factors.

The increases include an approximate \$8.9 million increase in State Shared Sales Taxes, reflecting collections during the first ten months of the fiscal year that were slightly higher than anticipated, and an additional \$1.3 million increase based on ADOT’s updated estimate of statewide VLT revenues, that support general County operations, in its most recent 10-year forecast issued in late December 2025. In addition, Other Miscellaneous Revenue increased by approximately \$930,000 due to the County receiving reimbursement from the Department of Emergency and Military Affairs (DEMA) for COVID-related expenses that were previously written off after being initially deemed non-reimbursable.

These increases are partially offset by a projected \$300,000 decrease in business license and permit revenue. This reduction is primarily due to an existing license agreement generating less cable fee

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revenue than anticipated, though it is partially mitigated by new license agreements with other telecommunications companies. In addition, pooled investment interest revenue is projected to decrease by \$730,650. This decline reflects the Treasurer’s Office recovering approximately \$800,000 in prior overpayments attributable to overstated investment earnings, partially offset by approximately \$600,000 in interest returns that exceeded budget assumptions.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the State and Federal Revenues

	FY 25/26 Budget	FY25/26 Actuals as of April	FY 25/26 Projected as of May	Variance	83% Target Received/ Spent
State Shared Sales Tax	187,118,653	149,893,989	196,000,000	8,881,347	80%
Vehicle License Tax	37,032,709	30,537,732	38,337,768	1,305,059	82%
Overhead General Fund	14,800,484	12,333,737	14,800,484	-	83%
Pooled Investment Interest Revenue	6,250,000	3,535,754	5,519,350	(730,650)	57%
Federal In Lieu Payment	4,808,000	17,834	4,805,000	(3,000)	0%
Transient Lodging Excise Tax (Stadium)	3,604,000	3,242,372	4,964,000	1,360,000	90%
General Government Fees	2,030,262	1,744,904	2,070,262	40,000	86%
Business Licenses & Permits	3,100,000	2,183,342	2,800,000	(300,000)	70%
Alcoholic Beverage Tax	60,000	45,000	60,000	-	75%
City In Lieu Payment	60,000	55,408	60,000	-	92%
Other Miscellaneous Revenue	2,000	937,474	937,974	935,974	46874%
Overages & Shortages	(6,000)	(614)	(6,000)	-	10%
	\$ 258,860,108	\$ 204,526,932	\$ 270,348,838	\$ 11,488,730	79%

General Fund Departmental Revenues

General Fund Departmental Revenues consist of fees collected by departments through their various activities. These activities differ by department and include items such as licenses and permits, charges for services, fines and forfeitures, and rental property income. The table below lists these revenue types as of April 30, 2026. Departments are projecting a net increase of approximately \$7.3 million. This increase is primarily driven by a \$5.695 million refund related to the FY 2024/25 ALTCS payment, as well as an approximate \$1.0 million favorable variance in the Elections Department resulting from the special election held to fill the Congressional District 7 U.S. House of Representatives seat, an approximate \$1.0 million favorable variance in the Justice Court Tucson resulting from higher than budgeted revenue from court fines and fees, and a \$1.7 million favorable variance in the Sheriff’s Department resulting from increased correctional housing revenue due to a higher jail population. These increases are partially offset by unfavorable variances in a number of departments.

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Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Projected Amounts for the Departmental Revenues

	FY 25/26 Budget	FY25/26 Actuals as of April	FY 25/26 Projected as of May	Variance	83% Target Received/ Spent
Sheriff	8,246,631	\$7,809,007	9,968,413	1,721,782	95%
Justice Court Tucson	5,427,666	\$5,334,723	6,437,598	1,009,932	98%
Recorder	9,322,290	\$5,754,227	8,254,827	(1,067,463)	62%
Clerk of the Superior Court	2,541,385	\$1,666,692	2,207,322	(334,063)	66%
Real Property Services	1,556,379	\$1,876,915	1,565,986	9,607	121%
Medical Examiner	1,910,000	\$1,709,941	2,038,295	128,295	90%
Public Defense Services	1,379,190	\$823,352	974,342	(404,848)	60%
Facilities Management	1,560,305	\$1,379,910	1,540,532	(19,774)	88%
Pima Animal Care	1,332,425	\$1,256,854	1,350,465	18,040	94%
Superior Court	754,228	\$395,307	708,743	(45,485)	52%
Information Technology	732,164	\$268,985	339,728	(392,436)	37%
Elections	2,163,482	\$3,139,500	3,139,671	976,189	145%
Communications Office	505,000	\$427,104	505,160	160	85%
Finance Non Departmental	-	5,695,595	5,695,595	5,695,595	-
	\$ 37,431,145	\$ 37,538,111	\$ 44,726,676	\$ 7,295,531	100%

General Fund Expenditures

Based on the Period 10 forecast and discussions with individual departments, the General Fund is projected to realize approximately \$10.6 million in operating expenditure savings. Additionally, there are projected increases of approximately \$20.6 million in Transfers Out, driven primarily by Project Blue proceeds transferred to a Special Revenue Fund restricted for the uses identified by the BOS, as well as unbudgeted operating transfers to fund a surveillance equipment upgrade at Juvenile Court and renovations at the Clerk of the Superior Court.

Three departments are currently projected to exceed their budgets as of June 30, 2026, and are requesting contingency funding through budget remediation plans that will subsequently be presented to the Board.

Constables:

Period 10: \$65,000 – Over Budget

- The budget overages are primarily attributable to the purchase of a new vehicle for \$64,000 at a time when the department believed sufficient funding was available within its budget. Additional unforeseen costs were later incurred, including vehicle repair expenses resulting from a constable accident and increased personnel costs due to changes in employee benefit elections.

Medical Examiner:

Period 10: \$141,356 – Over Budget

- The budget overages are primarily due to a retirement payout for a forensic pathologist position and other operational pressures.

Public Defense Service:

Period 10: \$93,611 – Over Budget

- The budget overages are primarily due to personnel leave payouts, as well as increases in Office of Court Appointed Counsel expenses.

General Fund Summary and Fund Balance Overview

The General Fund’s high-level Period 10 Forecast is summarized below. It projects an approximate \$42.5 million increase in total revenues, which includes \$20.8 million for Project Blue, approximately \$10.0 million in total expenditure savings, and a \$20.6 million increase in transfers out compared to the Adopted Budget. The increase in transfers out is due to the transfer of Project Blue proceeds to a Special Revenue Fund restricted for the uses identified by the BOS.

As previously noted, the General Fund reserve for FY 2025/26 is set at \$92,022,910. The FY 2026/27 Recommended Budget includes an adjustment to the reserve requirement, reducing it from 17 percent to 15 percent of the previous year’s audited operating expenditures. This change brings the projected reserve to \$94,113,931, which is \$2,091,021 higher than the current year. It is important to note that the forecasted savings and associated increase in fund balance from the Period 8 financial forecast were utilized in the development of the Recommended Budget, as shown in the table below.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
 As of April 2026 - Period 10

Fund Balance Summary	FY25/26 Actuals		FY 25/26 Projected	Variance	83% Target Received/Spent
	Adopted	as of April	as of May		
Beginning General Fund Balance	\$ 118,366,104	\$ 126,746,493	\$ 135,290,545	\$ 16,924,441	
Revenues					
General Fund Revenues	802,571,937	631,930,864	844,976,859	42,404,922	79%
Operating Transfers In	26,811,168	25,228,843	26,867,241	56,073	94%
Total Revenues	829,383,105	657,159,708	871,844,100	42,460,995	79%
Expenditures					
Operating Expenditures	722,048,028	568,909,115	711,425,704	10,622,324	79%
Operating Transfers Out	133,678,271	124,727,335	154,317,388	(20,639,117)	93%
Total Expenditures	855,726,299	693,636,449	865,743,092	(10,016,793)	81%
Ending Fund Balance	92,022,910	-	141,391,553	49,368,643	
Unrestricted General Fund Reserve			141,391,553		

Unrestricted General Fund Balance - per Board Policy

	Over/Under
FY 2026/27 Recommended Budget Minimum 15% of Expenditures	\$ 94,113,931
Use of Fund Balance in the FY 2026/27 Recommended Budget	\$ 37,287,320
Available Unrestricted General Fund Balance after Adjustments	\$ 9,990,302

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General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 10, \$866,980 has been allocated to four items: \$200,000 to Conservation Lands and Resources for the 25th Anniversary of the Sonoran Desert Conservation Plan, \$106,305 to Human Resources to support pay strategies for “In-Demand” job classifications, \$210,675 for the Treasurer’s budget remediation plan referenced above, and \$100,000 to assist with the St. Luke’s Home transition to Catholic Community Services, and \$250,000 for additional support for Pima County’s Victim Service and Domestic Violence Response System. This leaves a remaining contingency balance of \$133,020.

Summary

The forecast for FY 2025/26 through Period 10 indicates a stable fiscal outlook, with revenues (including transfers in) exceeding projections and expenditures (excluding transfers out) trending lower than budget. While these results are positive, continued monitoring of financial performance is critical. We will closely track trends, both favorable and concerning, and provide monthly updates to the Board of Supervisors to ensure timely awareness and informed decision-making.

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c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Chad Kasmar, Deputy County Administrator
Art Cuaron, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management