



MEMORANDUM

Date: May 7, 2026

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

From: Jan Leshner *Jan Leshner*
County Administrator

Re: **Financial Forecast – April 2026, Period 9**

The following information represents the April Financial Forecast based on actual expenditures as of March 31, 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 9, General Fund revenues are projected to exceed the budgeted amount by approximately \$15.7 million. This increase is primarily driven by 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 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.

This revenue growth is partially offset by a \$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.

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

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lists the different types of property taxes and the current forecast as of March 31, 2026. The forecast projects a variance in property tax revenues which is due to the following factors:

- a) Current year real property taxes and delinquent real property taxes decreased by a total of \$1.9 million due to the above mentioned error identified by the Assessor, as well as FY 2024/25 collections exceeding expectations by \$200,000, resulting in less delinquent revenue to collect in FY 2025/26.
- 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 March	FY 25/26 Projected as of April	Variance	75% Target Received/Spent
Real Property Taxes	474,438,395	309,756,818	473,890,423	(547,972)	65%
Delinquent Real Property Taxes	5,443,800	5,197,406	4,000,825	(1,442,975)	95%
Personal Property Taxes	11,886,945	9,419,237	12,231,370	344,425	79%
Delinquent Personal Property Taxes	324,000	100,444	224,000	(100,000)	31%
Interest & Penalties on Delinquent Property Taxes	5,990,000	3,114,612	5,690,000	(300,000)	52%
	\$ 498,083,140	\$ 327,588,517	\$ 496,036,618	\$ (2,046,522)	66%

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 March 31, 2026. Finance is projecting a net increase of approximately \$10.6 million, driven by several factors.

The increases include an approximate \$8.9 million increase in State Shared Sales Taxes, reflecting collections during the first nine 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 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.

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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 March	FY 25/26 Projected as of April	Variance	75% Target Received/Spent
State Shared Sales Tax	187,118,653	129,337,342	196,000,000	8,881,347	69%
Vehicle License Tax	37,032,709	26,995,106	38,337,768	1,305,059	73%
Overhead General Fund	14,800,484	11,100,363	14,800,484	-	75%
Pooled Investment Interest Revenue	6,250,000	3,180,765	5,519,350	(730,650)	51%
Federal In Lieu Payment	4,808,000	17,834	4,805,000	(3,000)	0%
Transient Lodging Excise Tax (Stadium)	3,604,000	1,950,746	4,080,000	476,000	54%
General Government Fees	2,030,262	1,347,018	2,030,262	-	66%
Business Licenses & Permits	3,100,000	1,427,929	2,800,000	(300,000)	46%
Alcoholic Beverage Tax	60,000	36,000	60,000	-	60%
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)	(326)	(6,000)	-	5%
\$	258,860,108	\$ 176,385,659	\$ 269,424,838	\$ 10,564,730	68%

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 March 31, 2026. Departments are projecting a net increase of approximately \$5.2 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 \$1.1 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. These increases are partially offset by unfavorable variances in a number of departments.

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 March	FY 25/26 Projected as of April	Variance	75% Target Received/Spent
Sheriff	8,246,631	6,898,662	8,354,090	107,459	84%
Justice Court Tucson	5,427,666	4,671,501	6,331,478	903,812	86%
Recorder	9,322,290	5,392,492	8,243,392	(1,078,898)	58%
Clerk of the Superior Court	2,541,385	1,514,218	2,018,957	(522,428)	60%
Real Property Services	1,556,379	1,743,214	1,565,986	9,607	112%
Medical Examiner	1,910,000	1,409,680	1,902,212	(7,788)	74%
Public Defense Services	1,379,190	726,635	980,400	(398,790)	53%
Facilities Management	1,560,305	1,285,440	1,538,185	(22,120)	82%
Pima Animal Care	1,332,425	1,019,385	1,215,056	(117,369)	77%
Superior Court	754,228	380,505	690,982	(63,246)	50%
Information Technology	732,164	246,829	352,943	(379,221)	34%
Elections	2,163,482	3,138,759	3,237,463	1,073,981	145%
Communications Office	505,000	380,396	505,160	160	75%
Finance Non Departmental	-	5,695,595	5,695,595	5,695,595	-
\$	37,431,145	\$ 34,503,310	\$ 42,631,898	\$ 5,200,753	92%

General Fund Expenditures

Based on the Period 9 forecast and discussions with individual departments, the General Fund is projected to realize approximately \$10.8 million in operating expenditure savings. Additionally, there are projected increases of approximately \$1.1 million in Transfers Out driven primarily by unbudgeted operating transfers to fund a surveillance equipment upgrade at Juvenile Court and renovations at Clerk of the Superior Court.

General Fund Summary and Fund Balance Overview

The General Fund’s high-level Period 9 Forecast is summarized below. It projects an approximate \$15.9 million increase in total revenues, and approximately \$9.7 million in total expenditure savings compared to the Adopted Budget.

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 March 2026 - Period 9

Fund Balance Summary	FY25/26 Actuals		FY 25/26 Projected	Variance	75% Target Received/Spent
	Adopted	as of March	as of April		
Beginning General Fund Balance	\$ 118,366,104	\$ 126,746,493	\$ 135,290,545	\$ 16,924,441	
Revenues					
General Fund Revenues	802,571,937	567,595,298	818,237,450	15,665,513	71%
Operating Transfers In	26,811,168	24,845,044	27,054,859	243,691	93%
Total Revenues	<u>829,383,105</u>	<u>592,440,342</u>	<u>845,292,309</u>	<u>15,909,204</u>	<u>71%</u>
Expenditures					
Operating Expenditures	722,048,028	510,799,373	711,288,639	10,759,389	71%
Operating Transfers Out	133,678,271	94,029,085	134,769,993	(1,091,722)	70%
Total Expenditures	<u>855,726,299</u>	<u>604,828,458</u>	<u>846,058,632</u>	<u>9,667,667</u>	<u>71%</u>
Ending Fund Balance	<u>92,022,910</u>	<u>-</u>	<u>134,524,222</u>	<u>42,501,312</u>	
Unrestricted General Fund Reserve			134,524,222		
				<u>Over/Under</u>	
			Unrestricted General Fund Reserve	<u>134,524,222</u>	
			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	<u>\$ 3,122,971</u>	

General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 9, \$616,980 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. This leaves a remaining contingency balance of \$383,020.

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Summary

The forecast for FY 2025/26 through Period 9 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.

The Recommended Budget was distributed on April 17, 2026. A memorandum summarizing any changes made to the Recommended Budget will be issued prior to Tentative Budget Adoption. The Tentative Budget Adoption is scheduled for the May 26, 2026, Board of Supervisors meeting for the Board's consideration.

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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