



MEMORANDUM

Date: April 1, 2026

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

From: Jan Leshner *[Signature]*
County Administrator

Re: **Financial Forecast – March 2026, Period 8**

The following information represents the March Financial Forecast based on actual expenditures as of February 28, 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 8, 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, as well as an approximate \$900,000 reduction in transfers in, reflecting lower than budgeted indirect cost recoveries from grants.

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

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different types of property taxes and the current forecast as of February 28, 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 February	FY 25/26 Projected as of March	Variance	67% Target Received/Spent
Real Property Taxes	474,438,395	284,687,889	473,890,423	(547,972)	60%
Delinquent Real Property Taxes	5,443,800	3,563,767	4,000,825	(1,442,975)	65%
Personal Property Taxes	11,886,945	8,948,504	12,231,370	344,425	75%
Delinquent Personal Property Taxes	324,000	81,175	224,000	(100,000)	25%
Interest & Penalties on Delinquent Property Taxes	5,990,000	2,813,429	5,690,000	(300,000)	47%
	\$ 498,083,140	\$ 300,094,764	\$ 496,036,618	\$ (2,046,522)	60%

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 February 28, 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 eight 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 February	FY 25/26 Projected as of March	Variance	67% Target Received/Spent
State Shared Sales Tax	187,118,653	113,809,014	196,000,000	8,881,347	61%
Vehicle License Tax	37,032,709	23,433,781	38,337,768	1,305,059	63%
Overhead General Fund	14,800,484	9,866,990	14,800,484	-	67%
Pooled Investment Interest Revenue	6,250,000	2,741,894	5,519,350	(730,650)	44%
Federal In Lieu Payment	4,808,000	-	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	\$ 155,605,928	\$ 269,424,838	\$ 10,564,730	60%

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 February 28, 2026. Departments are projecting a net increase of approximately \$5.7 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 \$1.2 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 different 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 February	FY 25/26 Projected as of March	Variance	67% Target Received/Spent
Sheriff	8,246,631	6,146,314	8,331,558	84,927	75%
Justice Court Tucson	5,427,666	4,103,819	6,250,455	822,789	76%
Recorder	9,322,290	3,969,902	8,227,523	(1,094,767)	43%
Clerk of the Superior Court	2,541,385	1,246,277	2,162,616	(378,769)	49%
Real Property Services	1,556,379	1,609,512	1,556,379	-	103%
Medical Examiner	1,910,000	1,311,973	1,968,682	58,682	69%
Public Defense Services	1,379,190	632,916	953,993	(425,197)	46%
Facilities Management	1,560,305	1,161,048	1,508,768	(51,537)	74%
Pima Animal Care	1,332,425	1,000,652	1,298,384	(34,041)	75%
Superior Court	754,228	368,965	706,604	(47,624)	49%
Information Technology	732,164	209,169	560,202	(171,962)	29%
Elections	2,163,482	2,092,054	3,357,415	1,193,933	97%
Communications Office	505,000	357,151	505,160	160	71%
Finance Non Departmental	-	5,695,595	5,695,595	5,695,595	-
	\$ 37,431,145	\$ 29,905,347	\$ 43,083,335	\$ 5,652,189	80%

General Fund Expenditures

Based on the Period 8 forecast and discussions with individual departments, the General Fund is projected to realize approximately \$7.8 million in operating expenditure savings. Additionally, there are projected increases of approximately \$770,000 in Transfers Out driven primarily by unbudgeted operating transfers to fund a surveillance equipment upgrade at Juvenile Court.

General Fund Summary and Fund Balance Overview

The General Fund’s high-level Period 8 Forecast is summarized below. It projects an approximate \$15.4 million increase in total revenues, and approximately \$7.0 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. For FY 2026/27, the reserve requirement is recommended to return to 17 percent, which would bring the projected reserve to \$103,367,589, or \$11,344,679 higher than the current year, based on estimated expenditures.

Additionally, as noted at the bottom of the table, there is a pending adjustment of \$20,855,849 for proceeds received from the Project Blue land sale. With the Board’s approval of the use of these funds at the March 24, 2025, BOS meeting, they will be allocated to the appropriate areas within the FY 2026/27 budget.

Fiscal Year 2025/26 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
 As of February 2026 - Period 8

Fund Balance Summary	Adopted	FY25/26 Actuals as of February	FY 25/26 Projected as of March	Variance	67% Target Received/Spent
Beginning General Fund Balance	\$ 118,366,104	\$ 126,746,493	\$ 135,290,545	\$ 16,924,441	
Revenues					
General Fund Revenues	802,571,937	511,516,986	818,230,103	15,658,166	64%
Operating Transfers In	26,811,168	24,175,849	26,601,301	(209,867)	90%
Total Revenues	<u>829,383,105</u>	<u>535,692,836</u>	<u>844,831,404</u>	<u>15,448,299</u>	<u>65%</u>
Expenditures					
Operating Expenditures	722,048,028	453,838,315	714,272,559	7,775,469	63%
Operating Transfers Out	133,678,271	91,413,970	134,448,140	(769,869)	68%
Total Expenditures	<u>855,726,299</u>	<u>545,252,285</u>	<u>848,720,699</u>	<u>7,005,600</u>	<u>64%</u>
Ending Fund Balance	<u>92,022,910</u>	<u>-</u>	<u>131,401,250</u>	<u>39,378,340</u>	
Unrestricted General Fund Reserve			131,401,250		

Unrestricted General Fund Balance - per Board Policy

	Over/Under
FY 2025/26 Minimum 15% of Expenditures \$ 92,022,910	\$ 39,378,340
Short-Term Crisis Funding 1st Round	(838,390)
Short-Term Crisis Funding 2nd Round	(855,000)
Available Unrestricted General Fund Balance after Adjustments	\$ 37,684,950

Unrestricted General Fund Balance - per Board Policy - FY 26/27 Projection

	Over/Under
FY 2026/27 Minimum 17% of Expenditures \$ 103,367,589	\$ 28,033,661
Short-Term Crisis Funding 1st Round	(838,390)
Short-Term Crisis Funding 2nd Round	(855,000)
Available Unrestricted General Fund Balance after Adjustments	\$ 26,340,271

Pending Adjustments

Proceeds from the Project Blue land sale	\$ 20,855,849
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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 8, \$516,980 has been allocated to three items: \$200,000 to Conservation Lands and Resources for the 25th Anniversary of the Sonoran Desert Conservation Plan, \$106,305 to Human

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Resources to support pay strategies for “In-Demand” job classifications, and \$210,675 for the Treasurer’s budget remediation plan referenced above. This leaves a remaining contingency balance of \$483,020.

Summary

The forecast for FY 2025/26 through Period 8 indicates a stable fiscal outlook, with revenues (excluding 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. As we work to finalize the FY 2026/27 County Recommended Budget, this financial forecast will play an important role in determining the available unrestricted General Fund balance. The currently forecasted net positive variance will be applied to the FY 2026/27 budget. The Recommended Budget will be distributed on April 17, 2026, for the Board’s consideration, with the Tentative Budget Adoption scheduled for the May 26, 2026, Board of Supervisors meeting.

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