



MEMORANDUM

Date: January 28, 2026

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

From: Jan Lester *Jan*
County Administrator

Re: **Financial Forecast – January 2026, Period 6**

The following information represents the January Financial Forecast based on actual expenditures as of December 31, 2025.

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 6, General Fund revenues are projected to exceed the budgeted amount by approximately \$9.0 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 \$2.9 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 \$902,000 reduction in transfers in, reflecting lower than budgeted indirect cost recoveries from grants.

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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 December 31, 2025. 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 \$200,000 FY 2024/25 collections exceeding expectations, 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 \$244,425, 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 December	FY 25/ 26 Projected as of January	Variance	50% Target Received/ Spent
Real Property Taxes	474,438,395	264,301,186	473,890,423	(547,972)	56%
Delinquent Real Property Taxes	5,443,800	2,665,808	4,000,825	(1,442,975)	49%
Personal Property Taxes	11,886,945	7,858,195	12,131,370	244,425	66%
Delinquent Personal Property Taxes	324,000	109,440	324,000	-	34%
Interest & Penalties on Delinquent Property Taxes	5,990,000	1,829,033	5,690,000	(300,000)	31%
	\$ 498,083,140	\$ 276,763,662	\$ 496,036,618	\$ (2,046,522)	56%

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 December 31, 2025. Finance is projecting a net increase of approximately \$4.8 million, driven by several factors.

The increases include an approximate \$2.9 million increase in State Shared Sales Taxes, reflecting collections during the first six 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

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interest revenue is projected to decrease by \$200,000. 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 December	FY 25/26 Projected as of January	Variance	50% Target Received/Spent
State Shared Sales Tax	187,118,653	76,462,054	190,000,000	2,881,347	41%
Vehicle License Tax	37,032,709	17,074,811	38,337,768	1,305,059	46%
Overhead General Fund	14,800,484	7,400,242	14,800,484	-	50%
Pooled Investment Interest Revenue	6,250,000	1,631,903	6,050,000	(200,000)	26%
Federal In Lieu Payment	4,808,000	-	4,805,000	(3,000)	0%
Transient Lodging Excise Tax (Stadium)	3,604,000	1,496,783	3,800,000	196,000	42%
General Government Fees	2,030,262	1,015,029	2,030,262	-	50%
Business Licenses & Permits	3,100,000	870,170	2,800,000	(300,000)	28%
Alcoholic Beverage Tax	60,000	27,000	60,000	-	45%
City In Lieu Payment	60,000	53,609	60,000	-	89%
Other Miscellaneous Revenue	2,000	930,060	932,000	930,000	46503%
Overages & Shortages	(6,000)	(31)	(6,000)	-	1%
\$	258,860,108	\$ 106,961,630	\$ 263,669,514	\$ 4,809,406	41%

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 December 31, 2025. Departments are projecting a net increase of approximately \$5.3 million. This increase is primarily driven by a \$5.695 million refund related to the FY 2024/25 ALTCS payment.

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 December	FY 25/26 Projected as of January	Variance	50% Target Received/Spent
Sheriff	8,246,631	4,462,655	8,245,723	(908)	54%
Justice Court Tucson	5,427,666	2,929,273	5,515,852	88,186	54%
Recorder	9,322,290	1,665,462	8,660,595	(661,695)	18%
Clerk of the Superior Court	2,541,385	988,797	2,541,385	(0)	39%
Real Property Services	1,556,379	1,338,008	1,563,884	7,505	86%
Medical Examiner	1,910,000	923,510	1,908,573	(1,427)	48%
Public Defense Services	1,379,190	503,451	1,124,472	(254,718)	37%
Facilities Management	1,560,305	842,361	1,572,006	11,701	54%
Pima Animal Care	1,332,425	182	1,163,841	(168,584)	0%
Superior Court	754,228	183,715	642,758	(111,470)	24%
Information Technology	732,164	173,538	700,088	(32,076)	24%
Elections	2,163,482	1,005,468	2,897,509	734,027	46%
Communications Office	505,000	267,287	539,435	34,435	53%
Finance Non Departmental	-	-	5,695,595	5,695,595	-
\$	37,431,145	\$ 15,283,706	\$ 42,771,715	\$ 5,340,570	41%

General Fund Expenditures

Based on the Period 6 forecast and discussions with individual departments, the General Fund is projected to realize approximately \$5.4 million in operating expenditure savings. These

savings are partially offset by an estimated \$547,000 overage in transfers out, driven 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 6 Forecast is summarized below. It projects an approximate \$8.1 million increase in total revenues, and approximately \$4.3 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. The Board will be considering an item addressing the use of these funds in March 2026, and based on the Board's decision, the funds will be allocated to the appropriate areas in future financial updates.

**Fiscal Year 2025/ 26 Adopted Budget, Year to Date Actual, Forecasted Amounts for the General Fund
As of December 2025 - Period 6**

Fund Balance Summary	Adopted	FY25/ 26 Actuals as of December	FY 25/ 26 Projected as of January	Variance	50% Target Received/ Spent
Beginning General Fund Balance	\$ 118,366,104	\$ 126,746,493	\$ 126,746,493	\$ 8,380,389	
Revenues					
General Fund Revenues	802,571,937	424,418,206	811,609,185	9,037,248	53%
Operating Transfers In	26,811,168	24,028,643	25,908,278	(902,890)	90%
Total Revenues	829,383,105	448,446,849	837,517,463	8,134,358	54%
Expenditures					
Operating Expenditures	722,048,028	329,741,464	716,609,633	5,438,395	46%
Operating Transfers Out	133,678,271	88,139,129	134,813,445	(1,135,174)	66%
Total Expenditures	855,726,299	417,880,594	851,423,078	4,303,221	49%
Ending Fund Balance	92,022,910	-	112,840,877	20,817,967	
Unrestricted General Fund Reserve			112,840,877		

Unrestricted General Fund Balance - per Board Policy

		<u>Over/Under</u>
FY 2025/26 Minimum 15% of Expenditures	\$ 92,022,910	\$ 20,817,967
Short-Term Crisis Funding		(838,390)
Available Unrestricted General Fund Balance after Adjustments		\$ 19,979,577

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

		<u>Over/Under</u>
FY 2026/27 Minimum 17% of Expenditures	\$ 103,367,589	\$ 9,473,288
Short-Term Crisis Funding		(838,390)
Available Unrestricted General Fund Balance after Adjustments		\$ 8,634,898

Pending Adjustments

Proceeds from the Project Blue land sale	\$ 20,855,849
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Departments Projecting to Exceed Budget

At this time, there is one department that is indicating that it will be over budget for the current fiscal year. The Treasurer's Office is estimating that it will exceed the budget by \$210,675, due to increases in the personnel budget, postage and freight and software maintenance line items. They have submitted a budget remediation plan requesting additional funds to maintain the operational needs of the Office. This item is anticipated be on the February 17 Agenda for the Board's consideration.

General Fund Contingency

The Adopted Budget for FY 2025/26 included a General Fund contingency of \$1.0 million. As of Period 6, \$306,305 has been allocated to two items: \$200,000 to Conservation Lands and Resources for the 25th Anniversary of the Sonoran Desert Conservation Plan, and \$106,305 to Human Resources to support pay strategies for "In-Demand" job classifications. This leaves a remaining contingency balance of \$693,695.

Summary

The forecast for FY 2025/26 through Period 6 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. At this time, it is recommended that the forecasted overall increase in Fund Balance be applied towards the FY 2026/27 budget.

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