



MEMORANDUM

Date: May 9, 2022

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

From: Jan Leshner 
County Administrator

Re: **General Fund Unreserved Ending Fund Balance**

As part of the annual budget process, the Adopted General Fund Unreserved Ending Fund Balance is estimated using the amount carried forward from the prior year plus actual revenues and expenditures thru February of the current fiscal year plus revenue and expenditure projections for the remainder of the fiscal year.

As shown below, our actual fiscal year ending fund balance has exceeded the estimated budgeted fund balance for the last five years. This is primarily due to the amount being carried forward from the prior year and conservative revenue and expenditure projections for the remainder of the fiscal year. Over the past few years, the difference has grown significantly due to some General Fund expenditures being covered by COVID-19 grant funds and the departments experiencing difficulties retaining and hiring employees.

General Fund Unreserved Ending Fund Balance			
Fiscal Year	Adopted Budget	Actual/Projected	Difference (Actual-Budget)
Fiscal Year 2017/18	\$ 50,292,886	\$ 108,926,345	\$ 58,633,459
Fiscal Year 2018/19	40,342,558	102,109,649	61,767,091
Fiscal Year 2019/20	43,124,606	98,107,183	54,982,577
Fiscal Year 2020/21*	49,337,687	148,191,927	98,854,240
Fiscal Year 2021/22**	45,212,773	137,789,053	92,576,280
Fiscal Year 2022/23	45,872,187		
* The FY 2020/21 Ending Fund Balance does not include \$270,000,000 of the Pledged Revenue Obligation debt proceeds issued to pay the PSPRS/CORP unfunded liability			
** The amount presented for Fiscal Year 2021/22 is based on actuals as of February 28, 2022, plus projections for the remainder of the fiscal year			

The County's current practice is to maintain at least an ending fund balance of 5 percent of revenues and operating transfers-in. The Fiscal Year 2022/23 fund balance of \$45,872,187

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represents 6.9 percent of recommended General Fund revenues and operating transfers-in and is therefore in compliance with our current practice.

Below is a summary by category of how the actual fund balances were allocated each fiscal year based on what was approved by the Board of Supervisors during the budget process. Support for the items below can be found within the applicable Recommended, Tentative and Adopted Budget Memos for each given year.

Description	Actuals Allocated				
	FY 2018/19	FY 2019/20	FY 2020/21*	FY 2021/22	FY 2022/23
General Fund Budget Reserve	\$ 40,342,558	\$ 43,124,606	\$ 49,337,687	\$ 45,212,773	\$ 45,872,187
Amount Carried Forward	18,251,610	28,871,116	24,976,739	32,421,614	
Banner-University Medical Center	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Employee Compensation				12,713,134	13,630,954
Reserves					
Emergency					10,000,000
PSPRS				12,074,504	
Inflation, Fuel and Security					3,000,000
Other					1,269,944
Infrastructure					
Capital Projects	16,065,000	5,000,000	(13,784,651)	5,899,131	13,706,625
Facilities Renewal					2,000,000
NRPR Deferred Maintenance					2,000,000
Health Department Support			(3,099,693)	3,375,594	11,730,812
State Cost Shifts	(435,175)	1,951,114	2,507,358	(3,819,542)	16,956,654
State Shared Sales Tax and Property Taxes			39,442,937		1,358,272
Approved Supplementals				15,134,312	
Base Budget Adjustments	17,247,425	6,266,657	(16,273,194)	10,180,407	1,263,605
Misc One-time Expenditures	2,454,927	1,896,156			
Total	\$ 108,926,345	\$ 102,109,649	\$ 98,107,183	\$ 148,191,927	\$ 137,789,053

* Due to COVID-19, multiple reductions in revenues needed to be funded. In addition, the departmental budgets were decreased by three percent in personnel services, seventy-five percent in out-of-state travel and training, fifteen percent in various operating supplies plus an additional five percent reduction in personnel, operating supplies, services and operational capital expenditures as applicable.

When the County finalizes the financial statements each year, an adjustment is needed to reflect the actual revenues and expenses that occurred between March and the end of the fiscal year.

When the ending fund balance for any given year is greater than originally projected, the next year's budget is developed using the surplus realized during the prior year. For example, in FY 2020/21, there was an additional \$32 million over what was originally budgeted for FY 2021/22. Since this additional amount was not known at the time of the Recommended Budget for FY 2021/22, it was carried forward into the Recommended Budget analysis for FY 2022/23. Thus allowing us the flexibility to fund capital projects and other initiatives or absorb costs without increasing tax rates.

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Starting in December 2022, I am recommending that the Board, County Administration and the Finance and Risk Management Department meet to discuss the strategic direction for the next year's budget and review the Fund Balance on a routine basis.

JKL/dym

- c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
- Francisco García, Deputy County Administrator and Chief Medical Officer
Health and Community Services
- Michelle Campagne, Director, Finance and Risk Management
- Andy Welch, Deputy Director, Finance and Risk Management
- Xavier Rendon, Budget Division Manager, Finance and Risk Management