



MEMORANDUM

Date: March 17, 2017

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

From: C.H. Huckelberry
County Administrator

Re: **Pima County Contingency Funds**

At the March 7, 2017 Board of Supervisors meeting, Supervisor Miller questioned the use of the County Contingency Fund to pay for improvements at the County property leased to Banner-University Medical Center South Campus, LLC; specifically, Item 7 on the Board's Addendum. The question related to the appropriate use of County Contingency Funds and whether such funds are restricted for use only in emergencies.

The answer is that Pima County planned and designed its Contingency Funds for uses other than just emergencies. The following is a brief explanation of the various purposes of County's Contingency Funds. There is no specific fund strictly for emergencies. Contingency Funds are used for unplanned expenditures, including emergencies, and for planned expenditures where the exact amount or timing of the expenditures is uncertain.

The County budgets for Contingency funds in several ways, which are described below.

General Fund Budget Reserve. Funding for unforeseen events, including emergencies. The Government Finance Officers Association recommends maintaining a General Fund reserve of at least five percent of operating revenues. This fund is also used to pay attorney fees relating to lawsuits, including attorney fees paid in tax cases in which the taxpayer is successful. The County expended \$232,303 for such fees in the first seven months of this fiscal year.

Budget Stabilization Fund. Funding for anticipated future programs and costs where the details of the program or costs have not been finalized at the time of budget adoption, and a specific amount to budget cannot be readily determined. For example, rather than budget within individual departments an amount for potential increases in electricity costs for rate increases that had not yet been approved, Pima County budgeted \$1.5 million in Fiscal Year (FY) 2016/17 as an electricity reserve expense in the Budget Stabilization Fund in anticipation of increased electricity rates. Another example was in FY 2014/15 when the County budgeted \$8,362,994 in this fund for the Decision Packages the Board approved as part of

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the Adopted Budget, but which were not to be spent until the Board approved specific uses of those funds.

Tax Reduction/Debt Retirement Fund. Pooled revenues collected from various activities, primarily unbudgeted and unexpected revenues, to offset possible future tax increases.

All of these funds are part of the County's Contingency Funds. For FY 2016/17, Pima County budgeted \$10,823,137 in the Budget Stabilization Fund and \$61,240,853 in the General Fund Budget Reserve. Additionally, during the fiscal year, Pima County has collected more than \$1,407,020 of unbudgeted revenues in the Tax Reduction/Debt Retirement Fund.

CHH/lab

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert W. Johnson, Budget Manager, Finance and Risk Management