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# MEMORANDUM

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Date: May 23, 2019

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

From: C.H. Huckelberry  
County Administrator 

Re: **Tentative Budget Adoption and General Fund Ending Fund Balance for Fiscal Year 2019/20**

At Tentative Budget Adoption, the Board of Supervisors made two modifications to the Recommended Tentative Budget. These modifications are as follows:

1. Appropriated \$74,048 from the ending fund balance for reimbursing General Fund County departments and agencies for the cost of implementing the minimum wage increase, effective January 1, 2020.
2. Increased employee compensation for employees making less than \$45,000 per year from a two percent increase, effective in September, 2019 and one percent effective in January, 2020 to four percent effective September, 2019.

Originally, a half-year one percent raise was projected to cost \$539,964 in additional salary and benefits. The cost to the General Fund was \$353,475. Increasing this by one percent and moving the effective date to September 2019 will increase this amount to \$2,117,969. The additional cost to the General Fund is \$1,096,287. This will also reduce the General Fund ending fund balance and will not impact the ending fund balance of other funds which will have to absorb the increase.

As of this date, we have also been notified that the State will increase our payment requirements for the Arizona Long Term Care System (ALTCS). The tentative adopted budget anticipated an increase of \$2,237,544 from the FY 2018/19 adopted budget. We received notice today that these costs will increase by an additional \$1,170,556 for a total year-to-year increase of \$3,408,100. This increase, again, means the General Fund ending fund balance in the proposed final adopted budget will decrease by another \$1,170,556. This is a typical example of State costs being shifted to the County at the last minute during the legislative session.

The Honorable Chairman and Members, Pima County Board of Supervisors  
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Therefore, the table below shows modifications made by the Board and the increased cost transfer to the State for ALTCS and resulting ending fund balance before Final Adoption.

<b>FY 2019/20 General Fund Ending Fund Balance*</b>	
<b>After Adjustments to FY 2019/20 Proposed Tentative Adopted Budget</b>	
Proposed Tentative Ending Fund Balance/General Fund Budget Reserve	\$41,667,768
<b>Less:</b>	
Minimum Wage Increase Effective January 2020	(74,048)
Additional Cost of Salary Adjustment for Employees Earning Less than \$45k/year	(1,096,287)
Additional ALTCS State Cost Transfer	(1,170,556)
Ending Fund Balance/General Fund Budget Reserve After Adjustments	\$39,326,877

**\*Note that the General Fund Ending Fund Balance is equal to the General Fund Budget Reserve.**

CHH/ anc

- c: Tom Burke, Deputy County Administrator for Administration
- Michelle Campagne, Director, Finance and Risk Management
- Robert Johnson, Deputy Director, Finance and Risk Management