

**BOARD OF SUPERVISORS AGENDA ITEM REPORT (BOSAIR)**

All fields are required. Enter N/A if not applicable. For number fields, enter 0 if not applicable.

Award Type: Agenda Item

Is a Board Meeting Date Requested? Yes

Requested Board Meeting Date: 02/17/2026

Project Title / Description: Board of Supervisors Policy for Regional Wastewater Reclamation Fund Establishment and Use of Reserves.

Agenda Item Report

Introduction / Background: The policy is being established to ensure that the department maintains adequate cash reserves to maintain the department's credit ratings, provide sufficient working capital throughout the year, ensure a stable and predictable rate structure capable of withstanding significant economic downturns or revenue shortfalls without violating debt service rate covenants, and provide one-time funds for unforeseen expenditures related to emergencies accessible with Board of Supervisors' approval.

Discussion: The policy outlines reserve requirements, emergency expenditures, rate structure and use of reserves. The policy establishes an emergency reserve equal to twenty million dollars, and an operating reserve equal to three months of operating expenses. The debt service reserves are defined in the debt service indenture and are held by the trustee for the issuance. The purpose of these reserves is to provide fiscal stability and not serve as a funding source for new programs or projects. Any use of reserves for operating emergencies or unanticipated budgetary shortfalls must include a plan to restore the reserves to the minimum required balance within three years.

Conclusion: The proposed policy establishes clear guidelines for the Regional Wastewater Reclamation Department's reserve levels and use, ensuring sufficient financial stability to support the current credit ratings, ongoing operations, capital needs, and emergency responses while maintaining a predictable rate structure. By defining minimum reserve requirements and requiring a restoration plan for any reserve use, the policy promotes long-term fiscal responsibility and strengthens the department's ability to withstand economic uncertainty.

Recommendation: Staff recommends the Board approve this policy to ensure sufficient reserves in the Regional Wastewater Reclamation Department to maintain the department's credit ratings and provide a stable and predictable rate structure.

Fiscal Impact: There is no fiscal impact for the establishment of the policy.

Support of Prosperity Initiative: N/A

Provide information that explains how this activity supports the selected Prosperity Initiative N/A

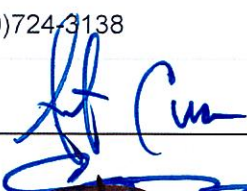
Board of Supervisor District:

- 1
- 2
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Department: Finance

Name: Art Cuaron

Telephone: (520)724-3138

Department Director Signature:  Date: 1.30.2026

Deputy County Administrator Signature:  Date: 2/3/2026

County Administrator Signature:  Date: 2/3/2026



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

**Subject: Regional Wastewater Reclamation Department
Use of Reserves**

**Policy
Number**

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Purpose

To establish a policy for the maintenance and use of reserve accounts for the Regional Wastewater Reclamation Department (RWRD) in Pima County. This policy outlines the process for reaching and maintaining targeted cash reserve levels and their specific uses.

Background

This policy ensures that the RWRD maintains reserves to:

- Secure and maintain the department's credit ratings.
- Provide sufficient working capital to meet cash flow needs throughout the year.
- Ensure a stable and predictable rate structure capable of withstanding significant economic downturns or revenue shortfalls without violating debt service rate covenants.
- Provide one-time funds for unforeseen expenditures related to emergencies that can be accessed with Board of Supervisor's approval.

Cash reserves are crucial for determining the department's credit rating, which allows the department to obtain the lowest possible interest rates on debt for critical infrastructure improvements. The Department of Finance and Risk Management annually analyzes cash reserve balances when evaluating department operations, capital needs, and revenue sufficiency from existing rates to determine if rate increases are warranted.

The purchase agreement for the issuance of Sewer Revenue Obligations includes a rate covenant requiring the County to establish and maintain rates sufficient to cover at least 120 percent of the principal and interest due on outstanding obligations. In evaluating the credit worthiness of the department, rating agencies expect at least 130 percent or a 1.3 debt service coverage ratio.

To support stable rates, the department uses excess cash to prepay existing debt and limits the term of new debt to between ten and fifteen years.

Definitions

Emergency Reserve: \$20 million, established by the Board of Supervisors in fiscal year 2010.

Operating Reserve: 90 days of operating expenses.

Debt Service Reserves: Funds required to set aside one-half of the maximum annual debt service on each issue per the obligation indenture for each debt series issued. These funds are held by the Trustee of the debt and applied to the final debt service payment.



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

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Policy

A. Maintaining RWRD Cash Reserves

1. To ensure RWRD maintains adequate cash reserves, the following guidelines shall be followed:

a. Maintain:

- An emergency reserve of \$20 million.
- An operating reserve equal to 90 days of the budgeted operating expenses.
- All required debt service reserves.

b. In case of an emergency expenditure that cannot be covered by capital projects or reductions in operating expenses:

- The department will submit a request for emergency reserve funds to County Administration who will review and provide to the Board of Supervisors for consideration.

c. Structure rates to:

- Maintain reserves.
- Comply with all rate covenants described in the purchase agreements of the Sewer Revenue Obligations.

d. By vote, the Board of Supervisors can use the RWRD cash reserves for:

- RWRD operating emergencies.
- RWRD unanticipated budgetary shortfalls.

Any such action must include a plan to restore the cash reserves to the minimum required balance within three years.

The department will make every effort to restore the reserves as soon as possible and the replenishment will not extend beyond three years without the express approval of the Board of Supervisors.

e. To ensure continued compliance:

- The Department of Finance and Risk Management shall annually provide the Regional Wastewater Reclamation Department Financial Plan to the Board of Supervisors.
- This plan must include details of the reserve balances.