COB - BOSAIR FORM
08/29/2025 11:37 AM (MST)

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Record Number:

Award Type: Agenda Item

Requested Board Meeting Date: 09/16/2025

Agenda Item Report

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

Record Number:

Title: Affirmation of Board Policy D.22.14 - General Fund - Fund Balance Policy

Introduction / Background: Board Policy D.22.14 was adopted on October 4, 2022. The purpose of the policy was to establish a Pima County policy for setting fund balance guidelines for the County's General Fund. The policy also established a process for reaching and maintaining the targeted level of unrestricted fund balance within the General Fund and the uses of amounts in excess of the target. The established policy target is 17% of prior year audited General Fund expenditures.

Discussion: During the FY 2025/26 budget cycle, the Board approved a one-time moratorium to the policy which permitted the target to reduce to 15% of prior year audited General Fund expenditures. This action provided an additional $12.2M in General Fund resources that were used to fund Board identified strategic initiatives in the FY 25/26 budget. As part of the discussion, the Board requested that this item be brought back for discussion to permanently reduce the target to 15% or a range from 15-17%.

Conclusion: The Government Finance Officers Association (GFOA) and independent rating agencies recommend maintaining reserves equal to at least two months of operating expenditures, or approximately 17 percent, to ensure sufficient capacity to manage economic volatility, emergencies, and unforeseen circumstances.

Reaffirming the 17 percent requirement is important for several reasons:
1) It directly aligns with GFOA recommendations and rating agency expectations. Maintaining this standard ensures the County is well positioned to retain its strong credit ratings (currently AA-/AA), which directly impacts borrowing costs and the ability to finance critical infrastructure projects.
2) A 17 percent reserve enhances the County's financial resilience. Conservative revenue forecasts, combined with the volatility of state-shared revenues and broader economic cycles, underscore the need for a robust reserve. This policy provides the necessary cushion to withstand unexpected events such as revenue shortfalls, cost spikes, or economic downturns without immediate service reductions.

3) A stable benchmark promotes consistency and predictability in the County's financial practices. While the FY 2026 exception served its purpose, extending a reduced target could weaken financial stability and raise concerns among external stakeholders, including rating agencies, auditors, and the public.

Finally, the 17 percent requirement supports long-term sustainability by balancing the need to maintain adequate reserves with the flexibility to fund ongoing operations.

Recommendation:

Reaffirming the 17 percent fund balance requirement restores the County's alignment with nationally recognized standards, preserves the County's strong credit standing, and provides the financial resilience necessary to navigate future uncertainties. I recommend the continued application of the 17 percent reserve requirement for all future budget processes.

Fiscal Impact:

Additional General Fund dollars will be required to be set aside in the FY 2026/27 budget process once audited financial statements are issued and the 17% policy target is calculated.

Support of Prosperity Initiative:

N/A

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

Not applicable.

Board of Supervisor District:

- 1
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- 4
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Department:

Finance and Risk Management

Name:
Art Cuaron

Telephone:

520-724-3138

Department Director Signature: for Art Cuaron Date: 8/29/25

Deputy County Administrator Signature: ____________ Date: ________

County Administrator Signature: ____________ Date: 8/31/25