



MEMORANDUM

Date: May 16, 2022

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

From: Jan Leshner 
County Administrator

Re: **Regional Wastewater Reclamation Enterprise Fund 2022 Financial Plan**

Attached is the 2022 Financial Plan for the Regional Wastewater Reclamation Enterprise Fund. The plan documents the financial status of the Regional Wastewater Reclamation Enterprise Fund and does not include fee increases due to our prepayment of debt issuances with available cash reserves.

The Regional Wastewater Reclamation Advisory Committee voted 10-2 in support of the 2022 Financial Plan at their meeting on March 24, 2022.

JKL/anc

Attachment

c: Carmine DeBonis, Deputy County Administrator for Public Works
Yves Khawam, Assistant County Administrator
Michelle Campagne, Director, Finance and Risk Management
Jackson Jenkins, Director, Regional Wastewater Reclamation



2022 Financial Plan

Pima County

Regional Wastewater Reclamation Enterprise Fund

*Prepared by
Pima County Finance and Risk Management Department
May 2022*

2022 Financial Plan

Pima County Regional Wastewater Reclamation Enterprise Fund

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Executive Summary

BACKGROUND

On an annual basis, Pima County reviews the financial information for the sanitary sewer services provided by its Regional Wastewater Reclamation Department. The focus of the review is to determine the optimal sewer rates needed to ensure that the County has sufficient revenues to meet all operating and maintenance expenses, debt service payments, required reserves, and to maintain an adequate debt service ratio to obtain favorable bond ratings. This enables the County to continue to issue debt for the anticipated improvements in the Capital Improvement Program.

RECOMMENDATIONS

Based on this review, the Finance and Risk Management Department is recommending:

1. Issuing \$199 million of new sewer revenue obligations to fund future capital improvement projects as follows:
 - a. \$40 million in Fiscal Year 2022-23,
 - b. \$54 million in Fiscal Year 2023-24,
 - c. \$54 million in Fiscal Year 2024-25, and
 - d. \$51 million in Fiscal Year 2025-26.

2. Using unrestricted cash to prepay debt as follows:
 - a. \$18.4 million in Fiscal Year 2022-23,
 - b. \$21.3 million in Fiscal Year 2023-24
 - c. \$18.8 million in Fiscal Year 2024-25, and
 - d. \$23.0 million in Fiscal Year 2025-26.

3. Maintaining the current sewer revenue rates.

INTRODUCTION

This report addresses the financial needs for the Regional Wastewater Reclamation Department based on the projected revenues, projected expenses, and projected capital improvement program expenses for Fiscal Year 2021-22 through Fiscal Year 2025-26.

KEY ASSUMPTIONS

The Finance and Risk Management Department (Finance) worked with the Regional Wastewater Reclamation Department (Department), County Administration and the Regional Wastewater Reclamation Advisory Committee to develop these assumptions. The major assumptions include:

- relatively slow growth in the customer base,
- an increase in user and utility fees at the rate of population growth,
- a capital improvement program of approximately \$268 million,
- additional sewer revenue debt of \$199 million with 10 year maturities,
- using unrestricted cash for the prepayment of debt.

Appendix A further describes the assumptions used in this report.

METHODOLOGY

Finance used the following methods to determine optimal sewer rates.

1. Analyzed the revenue generating potential of the Department's existing sewer rates.
2. Identified the projected cash needs of the Department for upcoming capital projects, anticipated operating and maintenance costs, debt service payments for existing debt, anticipated debt service payments for planned debt, and planned prepayment of future debt.
3. Compared the revenue generating potential of the existing rates to the Department's identified cash needs to determine whether rate changes may be necessary. Finance used an industry standard debt service ratio comparing revenues less operating and maintenance costs to debt service requirements for this analysis.
4. Analyzed the Department's cash balances, the effects of Arizona's local expenditure limitation on the Department, and the Department's debt ratings.

The estimates used for this analysis are as of February 28, 2022. Projected amounts change throughout the year as plans are refined and actual costs are determined.

REVENUES

Fees:

The County's wastewater system generates revenues from two major sources, sewer user fees and sewer utility fees.

User fees are the combination of: (1) the standard service fee and (2) the volume rate fee. Rate increases or decreases depend upon future growth in the number of new users and volume usage rate. The Department will not collect user fee revenues above the current level without a rate increase, or growth in these two factors. The last rate increase took effect in June 2017.

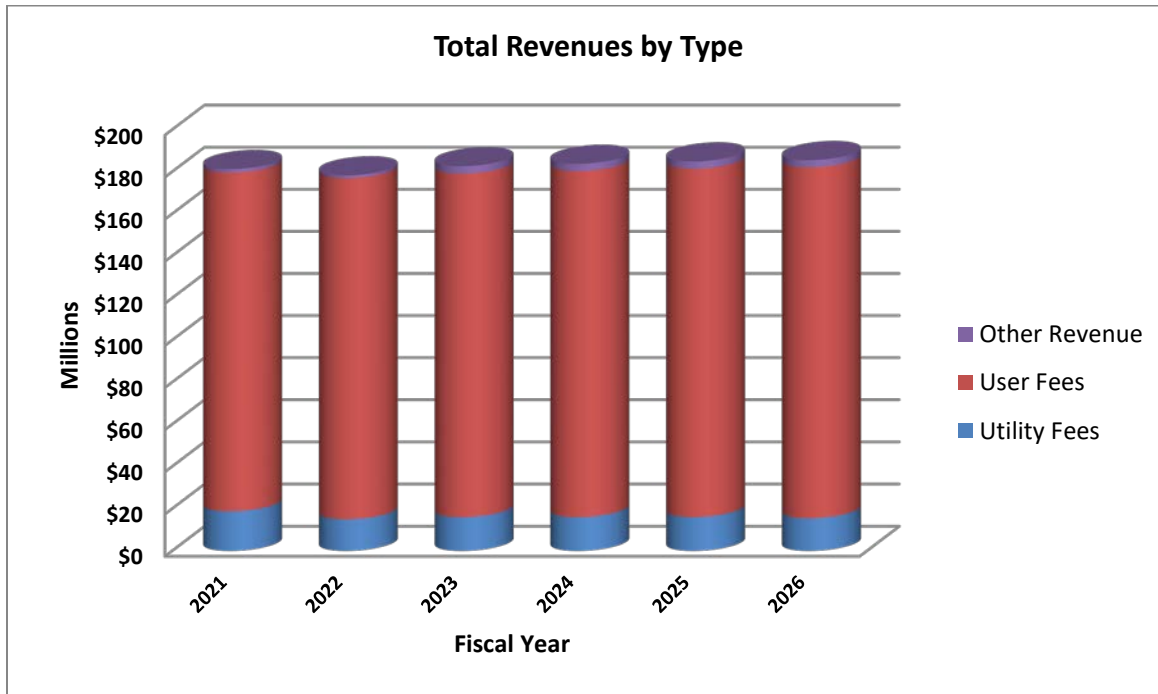
Utility fees are charged when new construction connects to the sewer system for the first time or when renovation of existing structures requires additional or larger water meters. Utility fees are based primarily on water meter size, with fees increasing as water meter size increases. The principal factor that will affect revenues from future utility fees will be the volume of new construction within Pima County.

For purposes of this financial analysis, future user fees and utility fees are projected to increase at the same rate as the estimated rate of population growth issued by the University of Arizona Economic & Business Research Center. These estimates project population growth rates to be between 0.68 percent and 0.95 percent between Fiscal Year 2021-22 and Fiscal Year 2025-26, as indicated in Appendix A.

Total Revenues:

From Fiscal Year 2021-22 through Fiscal Year 2025-26, user fee revenues are expected to remain relatively flat. Figure 1, shows Total Revenues by Type, for Fiscal Year 2020-21, including projections through Fiscal Year 2025-26, with a portion of those revenues attributable to utility fees.

Figure 1: Total Revenues by Type



As detailed in Table 1, Utility Fees are expected to be between \$15.5 and \$16.0 million over the next four years.

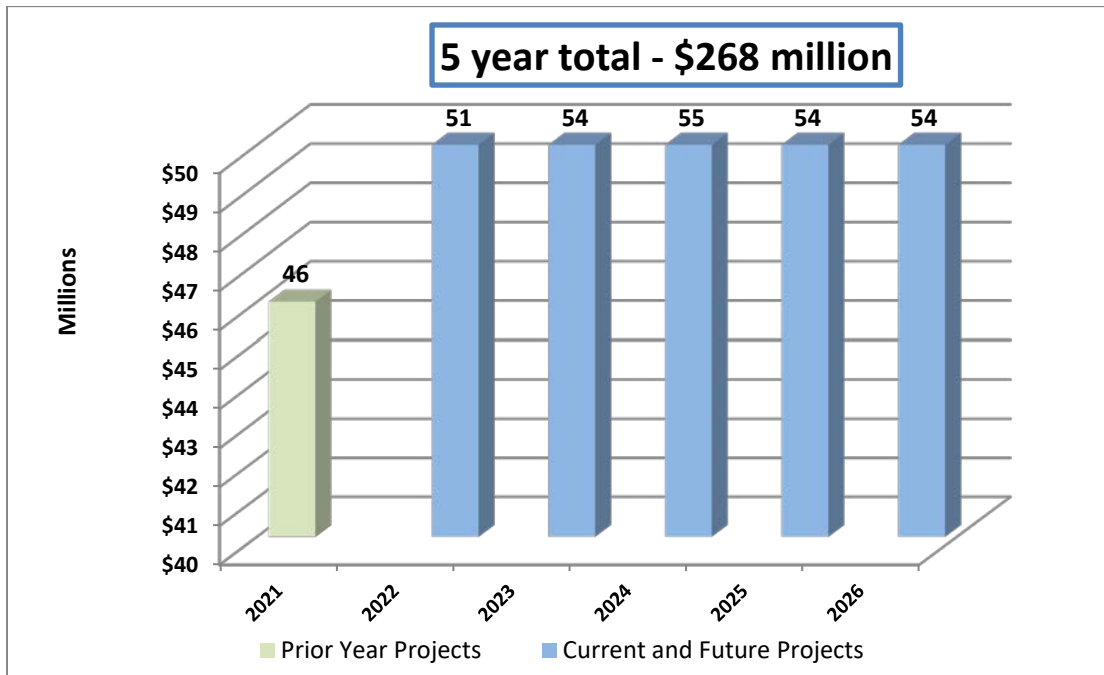
Table 1: Total Revenues by Type – Detail (in Millions)

Fiscal Year	Utility Fees	User Fees	Other Revenue	Total Revenues
2021	18.8	160.8	1.7	181.3
2022	15.0	162.0	1.3	178.3
2023	16.0	163.1	3.5	182.6
2024	16.0	164.3	3.5	183.8
2025	16.0	165.4	3.5	184.9
2026	15.5	166.6	3.4	185.5

CAPITAL IMPROVEMENT PROGRAM

As shown in Figure 2, capital expenditures are estimated to be \$268 million through the end of Fiscal Year 2025-26.

Figure 2: Capital Project Costs

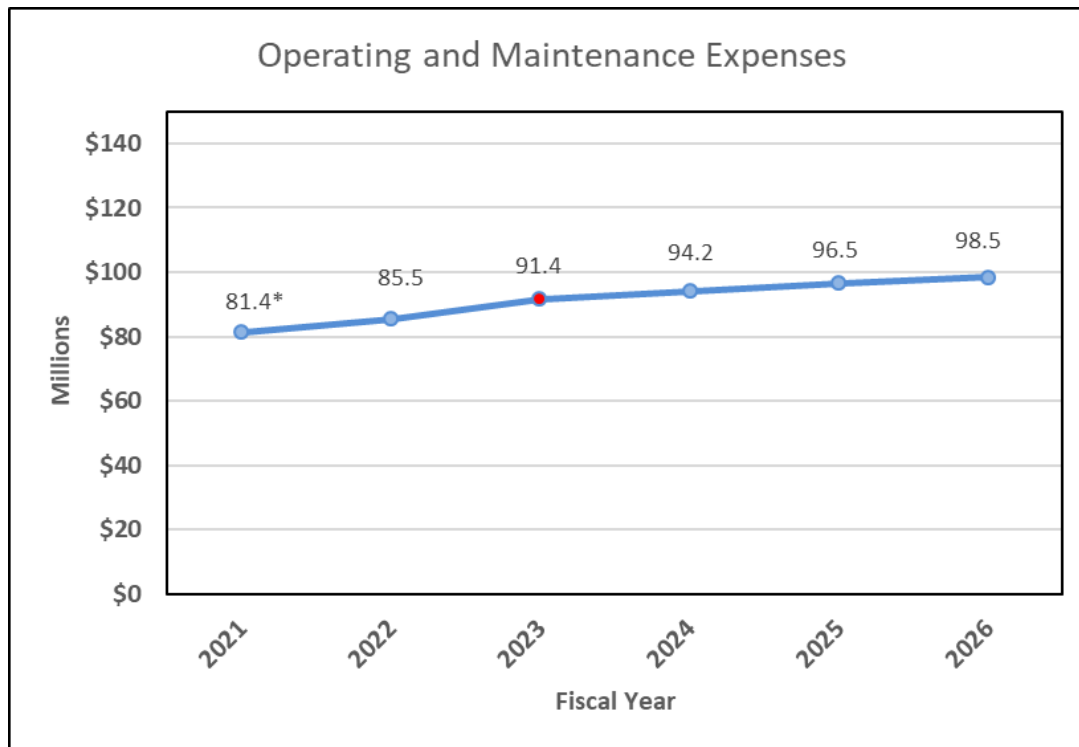


Projected future capital expenditures may change throughout the year as plans are refined and actual construction costs are determined. This analysis uses the Department’s estimate of capital projects as of March 2022. A summary of these capital projects for Fiscal Year 2021-22 through Fiscal Year 2025-26 can be found in Appendix C, *Summary of Capital Improvement Projects included in the FY 2022/2023 Budget Request as of March 2022*. As discussed on page 11, in the Expenditure Limitation section, for expenditure limitation reasons, Pima County must continue to borrow funds for the majority of the \$268 million planned capital improvements program, even though the County has cash available in the fund.

OPERATING AND MAINTENANCE EXPENSES

The Department is expecting to complete Fiscal Year 2021-22 with Operating and Maintenance (O&M) expenses of \$85.5 million. The budget for Fiscal Year 2022-23 has not yet been approved by the Board of Supervisors. For analysis purposes, the Department’s Requested Budget of \$91.4 million was used for Fiscal Year 2022-23. The Department’s Requested Budget represents an increase of approximately \$5.9 million over the Fiscal Year 2021-22 forecasted amount. This is primarily due to an increase in employee compensation and rising costs in supplies, services and utilities. Employee compensation is expected to be \$31.8 million in Fiscal Year 2022-23, representing 35 percent of total operating expenses. The plan also assumes operating and maintenance expenses will increase 3.0 percent in Fiscal Year 2023-24, 2.5 percent in Fiscal Year 2024-25 and 2.0 percent each year, thereafter. At this rate of increase, O&M costs are expected to increase by approximately \$7.1 million between Fiscal Year 2022-23 and Fiscal Year 2025-26. Figure 3 shows the increase in O&M expenses from Fiscal Year 2020-21 to Fiscal Year 2025-26.

Figure 3: Operating and Maintenance Expenses

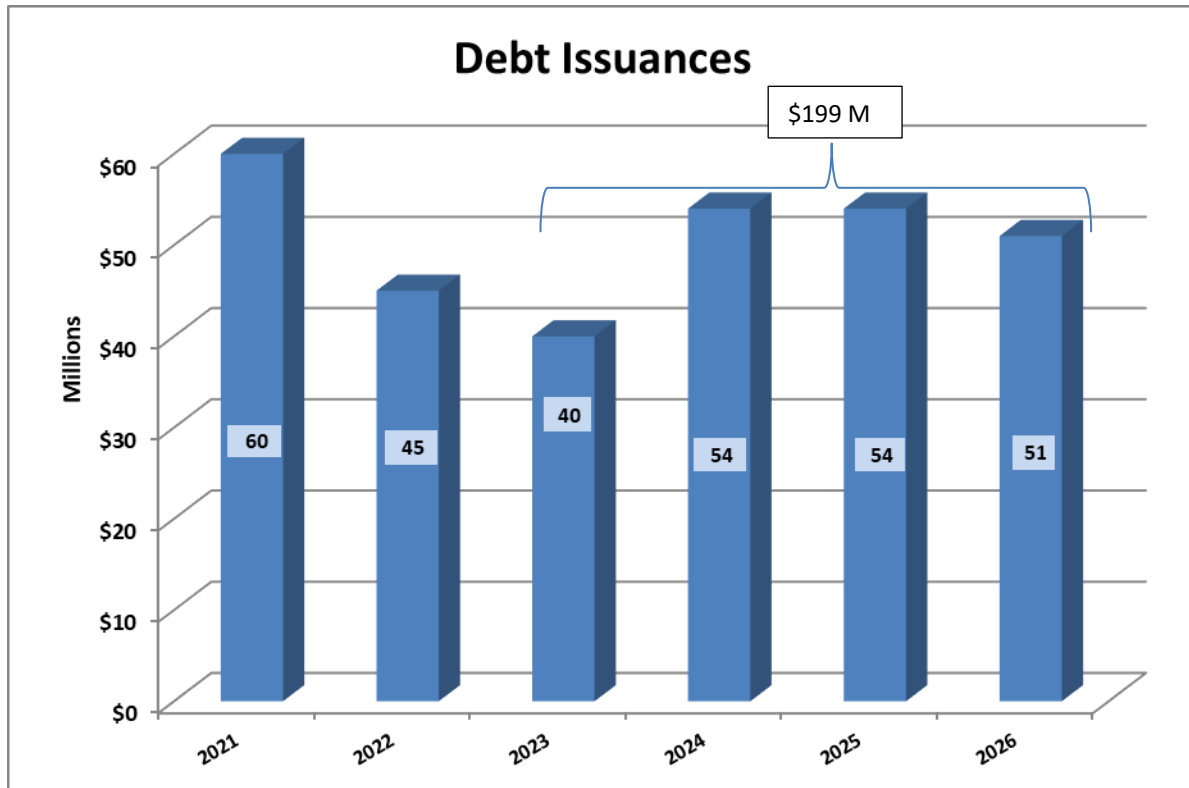


*Operating and Maintenance Expenses, excluding a non-cash accounting entry for Pension expenses.

SEWER REVENUE DEBT FINANCING

As of June 30, 2021, Pima County had \$423 million of sewer revenue debt outstanding. The County issued \$45.0 million in sewer revenue obligations in November 2021 and plans to issue an additional \$199 million over the next four years. Figure 4 shows the amounts and timing of the future debt issues.

Figure 4: \$199 Million of Additional Debt 2023 Through 2026



DEBT SERVICE PAYMENTS

Total debt service payments are expected to remain constant over the next few years. The County anticipates issuing additional debt as shown in Figure 4 with 10-year maturity dates and utilizing unrestricted cash to prepay debt. Debt service for Fiscal Year 2021-22 will be \$68.6 million, with the use of \$20.9 million in unrestricted cash to prepay a portion of the 2012 Sewer Obligations.

Figure 5 shows the debt service payments from Fiscal Year 2020-21 and the projected payments through Fiscal Year 2025-26.

Figure 5: Debt Service Payments

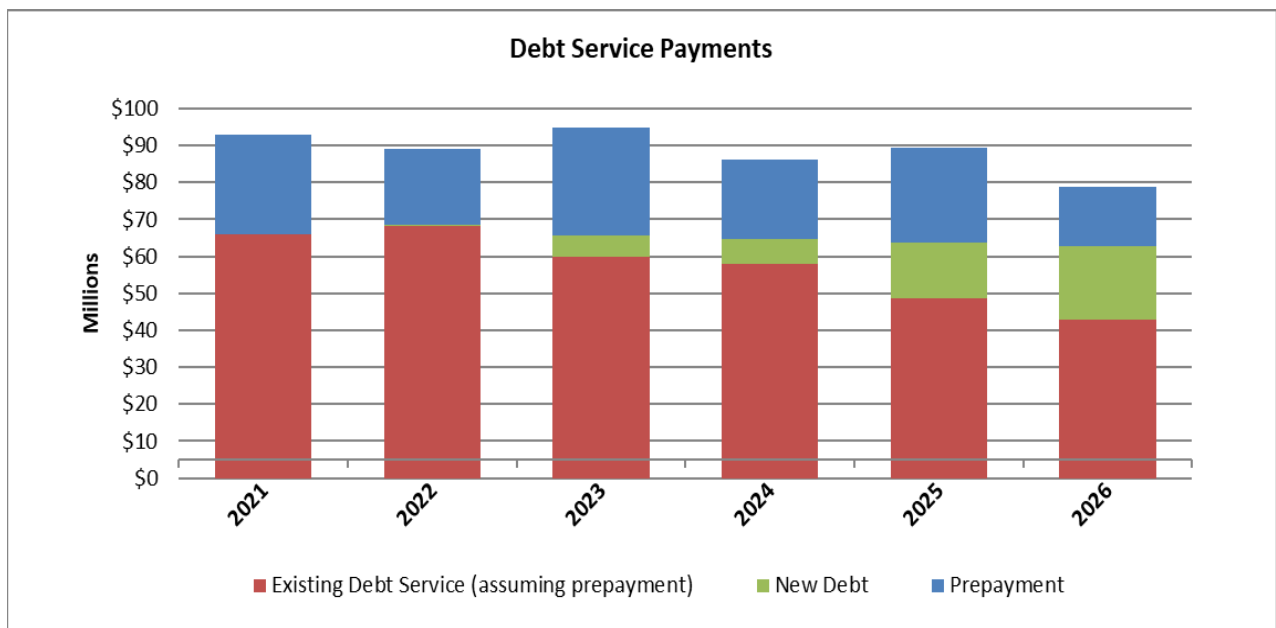


Table 2, details the impact on the debt service payments by year, if unrestricted cash is used to prepay debt service payments and debt is issued according to the Rate Workbook (see Appendix B) for Fiscal Years 2021-22 to 2025-26.

Table 2: Debt Service Payment – Detail (in Millions)

Fiscal Year	Debt Service on Existing Debt	Planned Debt Service on New Debt	Total Planned Debt Service WITHOUT Prepayments	Total Planned Prepayments	Total Planned Debt Service AFTER Prepayment
2021	92.9	0.0	92.9	26.9	66.0
2022	88.5	0.4	88.9	20.3	68.6
2023	89.2	5.7	94.9	29.3	65.6
2024	79.2	6.9	86.1	21.4	64.7
2025	74.3	14.9	89.2	25.6	63.6
2026	58.9	20.0	78.9	16.2	62.7

As shown in Table 2, when planned new debt is issued, the debt service payments without prepayments are expected to increase to \$94.9 million in Fiscal Year 2022-23, with an average debt service payment of \$87.6 million between now and Fiscal Year 2025-26. However, if the Department uses unrestricted cash to prepay debt, the Department’s highest debt service payment will occur this fiscal year at \$68.6 million, with an average payment of \$65.0 million during the same time period.

CASH RESERVES AND CASH BALANCES

The Pima County Regional Wastewater Reclamation Enterprise Fund has unrestricted cash and several types of restricted and designated cash accounts to meet the various debt covenants and to maintain an emergency fund that enables the County to handle unexpected events. Appendix D, *Cash Position Assuming the Prepayment of \$102 Million of Debt between 2021-22 and 2025-26*, shows the balances and projected balances of the cash accounts. As of Finance and Risk Management’s February 28, 2022 Cash Flow report, the Fund will have an estimated \$159.9 million in cash at the end of Fiscal Year 2021-22, of which \$61.2 million is currently estimated to be unrestricted. The restricted and designated cash accounts described below include the remaining \$98.7 million balances:

1. **Emergency Reserve Fund (Unrestricted)** – In Fiscal Year 2009-2010, the Board of Supervisors established a \$20 million Emergency Reserve Fund. The fund is for unexpected events affecting the ongoing operations of the sewer system.

2. **Operating Reserve Fund (Partially Restricted)** – Various debt instruments require the County to maintain a 30 day balance of anticipated operating expenses. Pima County maintains 90 days of anticipated operating expenses in this fund, the remaining 60 days of reserve of cash is designated by management for operating expenses. By the end of Fiscal Year 2021-22, these reserves are projected to be \$21.4 million.
3. **Debt Service Reserve Fund (Restricted)** – This restricted fund is used to set aside cash for sewer debt service payments. On a monthly basis, the County transfers one-twelfth of budgeted annual debt service into this reserve account to ensure cash is available for the annual debt service payments. These funds will be applied to the final debt service payments for the respective debt. By the end of Fiscal Year 2021-22, these debt reserves are projected to be \$31.8 million.
4. **Debt Proceeds (Restricted)** – This restricted fund is used to restrict the debt proceeds received until the funds are spent for the various capital projects. By the end of Fiscal Year 2021-22, this reserve is projected to be \$25.5 million.

RATING AGENCY DEBT SERVICE RATIO

Net Operating Revenue to Debt Service:

Net operating revenues are the regular, recurring revenues generated by operating the sewer system that remain after paying for sewer system operating expenses. Net operating revenues must be sufficient to do two things: (1) cover the required debt service payments and required reserves and (2) generate a sufficient margin that enables the County to pay non-operating costs and maintain additional reserves for unforeseen events.

Bond rating agencies use a basic ratio of net operating revenues to debt service to evaluate the financial health of governmental sewer operations. A ratio of 1 indicates that net operating revenues match debt service payments – net operating revenues are 100 percent of debt service payments. A ratio of less than 1, for example, 0.9, indicates that net revenues are less than, or in this example 90 percent of, debt service payments. A ratio of greater than 1, for example, 1.3, indicates that net revenues are larger than, or in this example 130 percent of, debt service payments.

Bond rating agencies have historically expected to see governmental sewer operators set rates that maintain a rating agency debt service ratio of 1.3 or greater. This enables governments to cover debt service payments and cash reserves, while making interest rates attractive to investors.

Since the beginning of the Regional Optimization Master Plan, Pima County Administration has committed to setting rates that maintain a rating agency debt service ratio of greater than 1.3. The Regional Wastewater Reclamation Advisory Committee formally stated this goal in a letter to Pima County's Board of Supervisors. Pima County's sewer revenue debt is highly rated and the County is able to sell debt for its Capital Improvement Program at low interest rates.

At its November 15, 2017 meeting, Pima County's Regional Wastewater Reclamation Advisory Committee identified two factors that would trigger discussions about possible rate increases: a rating agency debt service ratio falling below 1.2 or unrestricted cash reserves of less than three months of operating expenses (approximately \$21 million). As shown in Appendix B, the Fund's rating agency debt service ratio does not fall below 1.2 nor does the unrestricted cash balance fall below \$21 million. These factors do not indicate a need for rate increases at this time. Also at its November 15, 2017 meeting, the Advisory Committee authorized Finance and Risk Management to explore options for using unrestricted cash above the \$21 million amount to pay off debt early.

In recent years, Pima County has not needed to use its unrestricted financial reserves to pay for unforeseen events and the Fund has accumulated a significant balance (see Cash Reserves and Cash Balances section). Therefore, Pima County's Finance and Risk Management Department continues to recommend the prepayment of sewer revenue debt discussed in the Debt Service Payments section while carefully monitoring unrestricted cash balances to ensure they stay at reasonable levels.

It is important to note that during Fiscal Year 2019-20, the 2009 Water Infrastructure Finance Authority of Arizona (WIFA) Loan (i.e., senior debt) was paid off. Therefore, only the Sewer Obligation debt (i.e., junior debt) remains outstanding. The Sewer Obligation debt service ratio is calculated differently than the rating agency debt service ratio. This ratio is not used as an indicator of financial health. This ratio should not be used for financial planning in the same way the rating agency debt service ratio is used. This ratio is used by external parties to make legal determinations about whether Pima County is violating the contractual provisions of its debt. By setting rates to keep the bond rating agency debt service ratio at or near its target of 1.3, Pima County will not violate the contractual provisions of its debt. Additional details about this contractual debt service ratios can be found in Appendix E, *Debt Service Ratio Calculations*.

Appendix B provides more detail of the projected revenues, expenses, net operating revenues, and debt service ratios of the system.

EXPENDITURE LIMITATION

Impact to Wastewater Projects:

Due to the expenditure limitation restrictions in Article IX, Section 20, of the Arizona Constitution,

the County is limited on its use of available cash to fund capital improvements. The expenditure limitation restricts the use of local revenues, which consist of primary property taxes, impact fees, utility fees, including all fees charged for sewer services, and any other fees charged for County services. The County may not exceed the expenditure limit even if the County has cash available to spend.

In order to comply with the expenditure limitation restrictions, the County must fund sewer capital projects with borrowed funds, and use available unrestricted cash to pay the debt service.

BOND RATING AGENCIES

In October 2021, Fitch Ratings reaffirmed the County's sewer debt rating of AA for the Obligations. In addition, in November 2020, Standard and Poor's reaffirmed the County's sewer debt rating of AA. The issued reports explained the analysis of Pima County's financial condition for its sewer debt. The bond ratings reflect the rating agencies evaluation of the financial stability of the County and its ability to repay debt. As ratings increase, the interest rates offered by lenders decrease, reducing the overall debt cost to the County.

RECOMMENDATIONS

The Regional Wastewater Reclamation Advisory Committee Recommendation:

During fiscal year 2021-22 the Finance and Risk Management Department met with the Regional Wastewater Reclamation Advisory Committee to discuss the Department's financial activity and condition. The Finance and Risk Management Department presented the 2022 Financial Plan at the March 24, 2022 Regional Wastewater Reclamation Advisory Committee (RWRAC) meeting. At that meeting, the committee voted 10-2 in support of the 2022 Financial Plan and Finance's recommendations outlined within the plan.

LIST OF APPENDICES

Appendix A – Key Assumptions used for the 2022 Financial Plan

Appendix B – Rate Workbook

Appendix C – Summary of Capital Improvement Projects included in the FY 2022/2023 Budget Request as of March 2022

Appendix D – Cash Position Assuming the Prepayment of \$102 Million

Appendix E – Debt Service Ratio Calculations

APPENDIX A

KEY ASSUMPTIONS

		Current Year						Totals	
ASSUMPTION REGARDING:		2022	2023	2024	2025	2026	2022-2026	Comments	
1	Population Growth Factors	1.0095	1.0085	1.0075	1.0071	1.0068		UA Economic & Business Research Center estimates for FY 2022 - 2026.	
2	User Rate Increases:	Volumetric Fee increases	0.00%	0.00%	0.00%	0.00%	0.00%	Zero rate increase assumed for the next 4 years.	
		Service Charge	0.00%	0.00%	0.00%	0.00%	0.00%		
3	Utility Fees	Population Growth	1.0095	1.0085	1.0075	1.0071	1.0068	UA Economic & Business Research Center estimates for FY 2022 - 2026.	
		Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%	Zero rate increase assumed for the next 4 years.	
4	Annual rate of expense increase		1.069%	1.030%	1.025%	1.020%		Current year is based on projected expenses for Period 8. Fiscal year 2023 is based on Requested Budget amounts. For future years, a 3% growth assumption was used for FY 2024, 2.5% growth for FY 2025 and 2.0% thereafter.	
5	Capital Projects	50,766,330	54,119,868	55,067,714	54,050,000	54,300,000	268,303,912	For Fiscal Years 2022 - 2026, amounts per RWRD's March 2022 Budget Request.	
6	Debt Assumptions								
	Sewer Obligations	45,000,000	40,000,000	54,000,000	54,000,000	51,000,000	244,000,000		
7	Interest Rate Assumptions	3.00%	3.00%	3.00%	3.00%	3.00%			

Regional Wastewater Reclamation Department Enterprise Fund
 Financial Projections - Rating Agency Ratio 1.2 or above and Unrestricted Cash Greater than Three Months of Operating Expenses
 Fiscal Years 2021 through 2026

February 2022 CURRENT FORECAST

	Actuals FY20-21	Adopted Budget FY21-22	Forecasted FY21-22	Assumptions			
				FY22-23	FY23-24	FY24-25	FY25-26
Customers	288,327	290,307	291,066	293,540	295,742	297,841	299,867
Population Growth - UA Estimates	1.0136	1.0075	1.0095	1.0085	1.0075	1.0071	1.0068
Volume Rate	3.6287	3.6287	3.6287	3.6287	3.6287	3.6287	3.6287
Rate factor - Volume Fee	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Service Charge Rate	13.0000	13.0000	13.0000	13.0000	13.0000	13.0000	13.0000
Rate factor - Flat Service Charge	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Rate factor - Connection Fee	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Rate factor - O&M Expenses	1.0000	1.0000	1.0000	1.0690	1.0300	1.0250	1.0200
CCF - Calculated Flow Estimate	9.1441	9.1035	9.1441	9.1441	9.1441	9.1441	9.1441
Rate factor - Volume	0.9870	0.9900	1.0000	1.0000	1.0000	1.0000	1.0000

	Actuals FY20-21	Adopted Budget FY21-22	Forecasted FY21-22	Forecasted			
				FY22-23	FY23-24	FY24-25	FY25-26
System Revenues:							
Volumetric User Fee	114,931,736	115,078,737	115,895,057	116,880,165	117,756,766	118,592,839	119,399,271
Fixed User Administrative Fee	44,979,012	45,287,892	45,406,313	45,792,266	46,135,708	46,463,272	46,779,222
Sanitation Fees	939,881	675,000	675,000	400,000	400,000	400,000	400,000
Total Sewer Utility Service	160,850,629	161,041,629	161,976,370	163,072,431	164,292,475	165,456,111	166,578,493
Sewer Utility Fee Revenue	18,763,036	15,000,000	15,000,000	16,000,000	16,000,000	16,000,000	15,500,000
Interest	1,026,993	2,110,000	166,970	1,020,000	909,188	898,890	891,079
Other Income including Biogas	639,876	1,543,172	1,139,451	2,543,172	2,543,172	2,543,172	2,543,172
Total Revenues	181,280,534	179,694,801	178,282,791	182,635,603	183,744,835	184,898,173	185,512,744
Operations and Maintenance Costs	80,274,290	86,534,993	85,516,492	91,432,826	94,175,811	96,530,206	98,460,810
Net Revenues	101,006,244	93,159,808	92,766,299	91,202,777	89,569,024	88,367,967	87,051,934
Existing Debt Service - Senior Debt	-	-	-	-	-	-	-
Existing Debt Service - Subordinate Debt	66,035,865	66,554,757	68,239,757	59,887,822	57,842,672	48,727,667	42,673,169
Total Existing Debt Service Payments	66,035,865	66,554,757	68,239,757	59,887,822	57,842,672	48,727,667	42,673,169
Proposed Debt Service	-	450,000	376,238	5,671,500	6,911,175	14,935,088	20,031,176
Total Debt Service Payments	66,035,865	67,004,757	68,615,994	65,559,322	64,753,847	63,662,755	62,704,344
Rating Agency Ratio	1.53	1.39	1.35	1.39	1.38	1.39	1.39
Net Revenues after Debt Service Payments	34,970,379	26,155,051	24,150,305	25,643,455	24,815,178	24,705,213	24,347,590
Transfers out - COPs 2013	-	-	-	-	-	-	-
Transfers out - COPs 2015	-	-	-	-	-	-	-
Transfers out - COPs 2016	-	-	-	-	-	-	-
Transfers out - COPs 2018	(4,897,669)	-	-	-	-	-	-
Transfers out - COPs 2020A	(10,041,667)	-	-	-	-	-	-
Transfer out - SDF	(69,410)	-	-	(5,000,000)	-	-	(3,000,000)
Debt Service Reserve (Obligations) Transfer	(4,606,875)	(3,690,556)	(2,662,751)	(2,587,500)	(3,870,000)	(4,072,500)	(3,707,000)
Operating Transfer In - Debt Reserve	9,280,084	1,852,194	1,847,931	-	-	-	6,273,411
Other Operating Transfers Out	(1,591,811)	(290,399)	(855,640)	(3,197,900)	(400,400)	(400,400)	(400,400)
Prepayment of 2004 WIFA Loans	-	-	-	-	-	-	-
Prepayment of 2008 Bonds	-	-	-	-	-	-	-
Prepayment of 2009 Bonds	-	-	-	-	-	-	-
Prepayment of 2009 WIFA Loans	-	-	-	-	-	-	-
Prepayment of 2010 Obligations	-	-	-	-	-	-	-
Prepayment of 2011 Obligations	(23,788,399)	-	-	-	-	-	-
Prepayment of 2012 Obligations	(9,879,396)	(21,377,750)	(20,893,856)	-	(11,224,500)	(8,662,000)	(23,010,000)
Prepayment of 2014 Obligations	-	-	-	(4,265,125)	-	(10,100,000)	-
Prepayment of 2016 Obligations	-	-	-	(14,140,000)	(10,100,000)	(8,662,000)	-
Prepayment of 2017 Obligations	-	-	-	-	-	-	-
Prepayment of 2018 Obligations	-	-	-	-	-	-	-
Prepayment of 2019 Obligations	-	-	-	-	-	-	-
Prepayment of 2021 Obligations	-	-	-	-	-	-	-
Net Changes in Assets and Liabilities	4,249,701	491,441	31,253	(817,600)	(1,650,809)	(1,399,822)	(2,036,453)
Subtotal	(6,375,063)	3,139,981	1,617,242	(4,364,669)	(2,430,531)	70,491	(1,532,852)
Beginning Unrestricted Cash Balance	82,883,105	73,229,938	73,229,938	61,203,488	55,774,338	52,703,089	52,249,283
Change in Restrictions of Cash	(3,278,104)	(15,276,135)	(13,643,692)	(1,064,481)	(640,718)	(524,297)	(429,033)
Ending Unrestricted Cash Balance	73,229,938	61,093,784	61,203,488	55,774,338	52,703,089	52,249,283	50,287,398
CIP Projections	45,528,918	48,012,815	50,766,330	54,119,868	55,067,714	54,050,000	54,300,000
Sewer Revenue debt	60,000,000	40,000,000	45,000,000	40,000,000	54,000,000	54,000,000	51,000,000
COPs debt							

APPENDIX C

PIMA COUNTY
Summary of Capital Improvement Projects included in the FY 2022/2023 Budget Request
As of March 2022



Department: WW - Regional Wastewater Reclamation

Program Code	Program Name	Estimated Prior Year	Fiscal Year 2022/2023	Fiscal Year 2023/2024	Fiscal Year 2024/2025	Fiscal Year 2025/2026	Fiscal Year 2026/2027	Fiscal Year 2027/2028	Fiscal Year(s) Beyond	Program Total
CWW.322SC9	WW - 22nd St Swan to Craycroft Augmentation Phase 2	\$ -	\$ -	\$ -	\$ -	\$ 750,000	\$ 1,750,000	\$ -	\$ -	\$ 2,500,000
CWW.3ACIRE	WW - Aviation Corridor Interceptor Rehabilitation	-	-	-	-	-	-	-	5,000,000	5,000,000
CWW.3ANOMX	WW - Anammox Treatment Process	2,752,196	797,804	13,950,000	-	-	-	-	-	17,500,000
CWW.3ASC15	WW - Old Nogales Interc. Aug - New Aerospace Corr Sewer	44,302,344	5,876,511	-	-	-	-	-	-	50,178,855
CWW.3CFS15	WW - Continental Ranch Pump Station - Second Force Main	15,667,404	11,414,882	4,917,714	-	-	-	-	-	32,000,000
CWW.3COC22	WW - Conveyance Odor Control Program Projects FY21/22	599,000	1,000	-	-	-	-	-	-	600,000
CWW.3COC23	WW - Conveyance Odor Control Program Projects FY22/23	-	499,000	1,000	-	-	-	-	-	500,000
CWW.3COC24	WW - Conveyance Odor Control Program Projects FY23/24	-	-	499,000	1,000	-	-	-	-	500,000
CWW.3COC25	WW - Conveyance Odor Control Program Projects FY24/25	-	-	-	499,000	1,000	-	-	-	500,000
CWW.3COC26	WW - Conveyance Odor Control Program Projects FY25/26	-	-	-	-	499,000	1,000	-	-	500,000
CWW.3COC27	WW - Conveyance Odor Control Program Projects FY26/27	-	-	-	-	-	499,000	1,000	-	500,000
CWW.3COC28	WW - Conveyance Odor Control Program Projects FY27/28	-	-	-	-	-	-	499,000	1,000	500,000
CWW.3CPS22	WW - Conveyance Pump Station Program Projects FY21/22	464,438	1,000	-	-	-	-	-	-	465,438
CWW.3CPS23	WW - Conveyance Pump Station Program Projects FY22/23	-	999,000	1,000	-	-	-	-	-	1,000,000
CWW.3CPS24	WW - Conveyance Pump Station Program Projects FY23/24	-	-	999,000	1,000	-	-	-	-	1,000,000
CWW.3CPS25	WW - Conveyance Pump Station Program Projects FY24/25	-	-	-	999,000	1,000	-	-	-	1,000,000
CWW.3CPS26	WW - Conveyance Pump Station Program Projects FY25/26	-	-	-	-	999,000	1,000	-	-	1,000,000
CWW.3CPS27	WW - Conveyance Pump Station Program Projects FY26/27	-	-	-	-	-	999,000	1,000	-	1,000,000
CWW.3CPS28	WW - Conveyance Pump Station Program Projects FY27/28	-	-	-	-	-	-	999,000	1,000	1,000,000
CWW.3CRAEX	WW - Canoa Ranch Sewer Extension	1,277,713	6,314,287	-	-	-	-	-	-	7,592,000
CWW.3CRISA	WW - Continental Ranch Interceptor Sewer Augmentation	-	-	-	-	2,000,000	-	-	-	2,000,000
CWW.3DRACH	WW - Drachman Augmentation - Santa Rita to UPRR ROW	-	-	-	-	3,000,000	8,000,000	-	-	11,000,000
CWW.3MMP22	WW - Sewer Utility Minor Modification Projects 21/22	700,000	1,000	-	-	-	-	-	-	701,000
CWW.3MMP23	WW - Sewer Utility Minor Modification Projects 22/23	-	99,000	1,000	-	-	-	-	-	100,000
CWW.3MMP24	WW - Sewer Utility Minor Modification Projects 23/24	-	-	99,000	1,000	-	-	-	-	100,000
CWW.3MMP25	WW - Sewer Utility Minor Modification Projects 24/25	-	-	-	99,000	1,000	-	-	-	100,000
CWW.3MMP26	WW - Sewer Utility Minor Modification Projects 25/26	-	-	-	-	99,000	1,000	-	-	100,000
CWW.3MMP27	WW - Sewer Utility Minor Modification Projects 26/27	-	-	-	-	-	99,000	1,000	-	100,000
CWW.3MMP28	WW - Sewer Utility Minor Modification Projects 27/28	-	-	-	-	-	-	99,000	1,000	100,000
CWW.3MR222	WW - Sewer Manhole Rehabilitation #12	1,399,000	1,000	-	-	-	-	-	-	1,400,000
CWW.3MR223	WW - Sewer Manhole Rehabilitation Projects - FY 22/23	-	1,599,000	1,000	-	-	-	-	-	1,600,000
CWW.3MR224	WW - Minor Manhole Rehabilitation Projects FY23/24	-	-	1,499,000	1,000	-	-	-	-	1,500,000
CWW.3MR225	WW - Sewer Manhole Rehabilitation Projects FY24/25	-	-	-	1,599,000	1,000	-	-	-	1,600,000
CWW.3MR226	Minor Rehabilitation Projects - FY 2025/2026	-	-	-	-	1,599,000	1,000	-	-	1,600,000
CWW.3MR227	Minor Rehabilitation Projects - FY 2026/2027	-	-	-	-	-	1,599,000	1,000	-	1,600,000
CWW.3MR228	Minor Rehabilitation Projects - FY 2027/2028	-	-	-	-	-	-	1,599,000	1,000	1,600,000
CWW.3MRP22	WW - Minor Rehabilitation Projects FY 21/22	4,488,488	974	-	-	-	-	-	-	4,489,462
CWW.3MRP23	WW - Minor Rehabilitation Projects FY 22/23	-	5,999,000	1,000	-	-	-	-	-	6,000,000
CWW.3MRP24	WW - Minor Pipe Rehabilitation Projects FY23/24	-	-	9,999,000	1,000	-	-	-	-	10,000,000
CWW.3MRP25	WW - Minor Rehabilitation Projects - FY24/25	-	-	-	9,999,000	1,000	-	-	-	10,000,000
CWW.3MRP26	WW - Minor Rehabilitation Projects - FY25/26	-	-	-	-	9,999,000	1,000	-	-	10,000,000
CWW.3MRP27	WW - Minor Rehabilitation Projects - FY26/27	-	-	-	-	-	9,999,000	1,000	-	10,000,000

APPENDIX C

PIMA COUNTY
Summary of Capital Improvement Projects included in the FY 2022/2023 Budget Request
As of March 2022



Department: WW - Regional Wastewater Reclamation

Program Code	Program Name	Estimated Prior Year	Fiscal Year 2022/2023	Fiscal Year 2023/2024	Fiscal Year 2024/2025	Fiscal Year 2025/2026	Fiscal Year 2026/2027	Fiscal Year 2027/2028	Fiscal Year(s) Beyond	Program Total
CWW.3MRP28	WW - Minor Rehabilitation Projects - FY27/28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,999,000	\$ 1,000	\$ 10,000,000
CWW.3NWO19	WW - Northwest Outfall Siphon at the Santa Cruz River Rehab	559,813	1,316,410	-	-	-	-	-	-	1,876,223
CWW.3NWORE	WW - North West Outfall Interceptor Rehabilitation	-	-	-	-	5,000,000	-	-	-	5,000,000
CWW.3ONHRE	WW - Old Nogales Hwy Interceptor Rehabilitation	-	-	-	-	-	-	-	5,000,000	5,000,000
	WW - Pantano Interceptor Augmentation	-	-	-	250,000	1,750,000	-	-	-	2,000,000
CWW.3PPSRS	WW - Prudence Pump Station Relief Sewer	-	-	-	2,500,000	-	-	-	-	2,500,000
CWW.3SCCRE	WW - Santa Cruz Central Interceptor Rehabilitation	-	-	-	-	5,000,000	-	-	-	5,000,000
CWW.3SCERE	WW - Santa Cruz East Interceptor Rehabilitation	-	-	-	-	5,000,000	-	-	-	5,000,000
CWW.3SHGVI	WW - Sahuarita - Green Valley Interceptor	-	-	-	-	-	500,000	16,000,000	17,000,000	33,500,000
CWW.3SHWRF	WW - Sahuarita Wastewater Reclamation Facility	-	-	-	-	8,000,000	57,000,000	53,000,000	10,000,000	128,000,000
CWW.3TDS20	WW - Tucson Blvd Flow Mgmt Structure & Siphon Inlet Rehab	4,334,689	500,000	-	-	-	-	-	-	4,834,689
CWW.3THBOC	WW - Tres Rios Headworks Biofilter Odor Control	2,462,196	6,700,000	-	-	-	-	-	-	9,162,196
CWW.3TRCAB	WW - TRCAB Class A Biosolids	-	1,000,000	15,000,000	28,000,000	-	-	-	-	44,000,000
CWW.3TREBP	WW - Tres Rios WRF Emergency Backup Power	-	3,000,000	-	-	-	-	-	-	3,000,000
CWW.3TROCC	WW - TRWRF Operational Command Control Center	-	-	100,000	2,100,000	2,500,000	-	-	-	4,700,000
CWW.3TRP22	WW - System-Wide Treatment Rehabilitation Program	5,230,000	1,000	-	-	-	-	-	-	5,231,000
CWW.3TRP23	WW - System-Wide Treatment Rehabilitation Program	-	7,999,000	1,000	-	-	-	-	-	8,000,000
CWW.3TRP24	WW - System-Wide Treatment Rehabilitation Program	-	-	7,999,000	1,000	-	-	-	-	8,000,000
CWW.3TRP25	WW - System-wide Treatment Rehabilitation Program	-	-	-	7,999,000	101,000	-	-	-	8,100,000
CWW.3TRP26	WW - System-wide Treatment Rehabilitation Program	-	-	-	-	7,999,000	1,000	-	-	8,000,000
CWW.3TRP27	WW - System-wide Treatment Rehabilitation Program	-	-	-	-	-	7,999,000	1,000	-	8,000,000
CWW.3TRP28	WW - System-wide Treatment Rehabilitation Program	-	-	-	-	-	-	7,999,000	1,000	8,000,000
Total Planned Expenses		\$ 84,237,281	\$ 54,119,868	\$ 55,067,714	\$ 54,050,000	\$ 54,300,000	\$ 88,450,000	\$ 90,200,000	\$ 37,006,000	\$ 517,430,863

APPENDIX D

Regional Wastewater Reclamation Enterprise Fund
 Cash Position Assuming the Prepayment of \$102 Million
 As of February 2022

	2021-22	2022-23	2023-24	2024-25	2025-26
Operations	107,281,974	102,917,305	100,486,774	100,557,265	99,024,413
Debt Proceeds for CIP Projects	46,897,634	40,365,266	43,167,552	47,190,051	44,323,640
CIP Projects	5,749,165	6,188,506	7,245,398	6,133,967	6,428,550
Estimated Cash Balance at End of Fiscal Year	159,928,773	149,471,077	150,899,724	153,881,283	149,776,603
<u>Less Reserves:</u>					
O&M - Operating Reserve	21,379,123	22,858,207	23,543,953	24,132,551	24,615,203
Debt Service Reserve	31,863,547	34,186,099	37,988,976	41,970,553	39,324,272
Construction - Debt Proceeds	25,482,615	16,652,433	16,663,706	15,528,896	15,549,730
Emergency Reserve	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Projected Ending Cash Balance after Reserve Requirements are met	61,203,488	55,774,338	52,703,089	52,249,283	50,287,398

Appendix E

Debt Service Ratio Calculations

The County has historically maintained the goals of a rating agency debt service ratio of at least 1.3 as discussed in the Debt Service Ratio section. This ratio is used by the rating agencies and serves as a good financial planning tool.

In addition to the rating agency debt service ratio, Pima County's sewer revenue debt has an additional ratio that is mandated by the debt covenants. This debt covenant ratio is used by external parties to determine Pima County's compliance with contractual obligations related to its debt. While this debt covenant ratio should be considered when setting rates, it should not be used as a financial planning tool in the same way that the rating agency debt service ratio is used. By setting rates to maintain a rating agency debt service ratio at or near 1.3, the County will comply with the required debt covenant ratio.

The two debt service ratio calculations are as follows:

- 1) **Rating Agency Debt Service** - The Bond Rating Agencies calculate the debt service ratio using the excess of net revenues over the required debt service. The rating agencies require a 1.3x debt ratio be maintained. A debt service ratio lower than 1.3 could cause rating agencies to downgrade future sewer debt from its current rating. The impact of a downgrade would be additional interest costs for future debt. This is the most conservative of the two calculations.

Rating Agency Debt Service Ratio = $\frac{\text{Net Operating Revenues}}{\text{Debt Service Payments}}$
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- 2) **Sewer Obligation Debt Service Ratio** – The Sewer Obligation Debt Service Ratio is calculated by taking the net operating revenues plus unrestricted cash balance from the beginning of the fiscal year, over the amount of Debt. The County is required to maintain a 1.2x Debt Service Ratio. Failure to maintain a 1.2x triggers a default and provides a mechanism to force the County to increase rates.

Sewer Obl Debt Service Ratio = $\frac{\text{Net Operating Revenues + Unrestricted Cash Balance}}{\text{Debt Service Payments}}$
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