



What Reserves Does CAP Have and Why?

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CAP Reserves

As prescribed by the District's Enabling Act, the Arizona State Treasurer holds the District's investments.

These investments are held in the following investment pools:

- Pool 5 (Local Government Investment Pool or LGIP) – Used for liquid cash equivalent needs consisting of short-term investments.
- Pool 12 (CAWCD Medium-Term Pool) – Provides investments in medium- to long-term securities with a target duration of two to four years.

Funds needed to meet the immediate expenses and costs of the District are held with Bank of America.

CAP Reserve Types



UNASSIGNED RESERVES	ASSIGNED RESERVES	RESTRICTED RESERVES	COMMITTED RESERVES
Funds at the State Treasurer and Bank of America which are for daily operating purposes.	The Board established these reserves to provide for potential future needs.	These funds are established through contracts or legislation that limit the use for specific purposes.	These funds are established through Board action typically by resolution that identifies reserves to be used for specific purposes. <u>None of these reserves are part of strategic reserves.</u>



CAP Reserves

UNASSIGNED / UNRESTRICTED	ASSIGNED	RESTRICTED	COMMITTED
Working Capital	Operating Reserve		Extraordinary Cost Reserve
	Contingency Reserve		
	Capital Reserve		
		Repayment Reserve	Water Storage Reserve
		Emergency O&M Reserve	Recovery Reserve
		Supplemental Water Reserve	Navajo Decommissioning Reserve
		Bond Reserve	CAGRDReserves
		Captive Insurance Reserve	
		CAGRDR replenishment Reserves	
		CAGRDI&WR Reserve	
		9(d) Debt Reserve	

	= Working Capital
	= Strategic Reserves
	= Extraordinary Cost Reserve
	= Other Reserves

Special Purpose Reserves & Funds

Certain existing reserves are restricted by Statute or contract or are committed by the Board for specific purposes and can only be used for those purposes.

Restricted reserves include:

- ✓ All CAGRD Reserves
- ✓ Captive Reserves
- ✓ Repayment Reserves
- ✓ Bond Reserves
- ✓ 9(d) Debt Reserve
- ✓ Water Storage Reserves
- ✓ Supplemental Water Reserves



Special Purpose Reserves & Funds

Board committed reserves include:

- ✓ Decommissioning Reserve
- ✓ Extraordinary Cost Reserve
- ✓ Recovery Reserve
- ✓ System Use Reserve



Working Capital

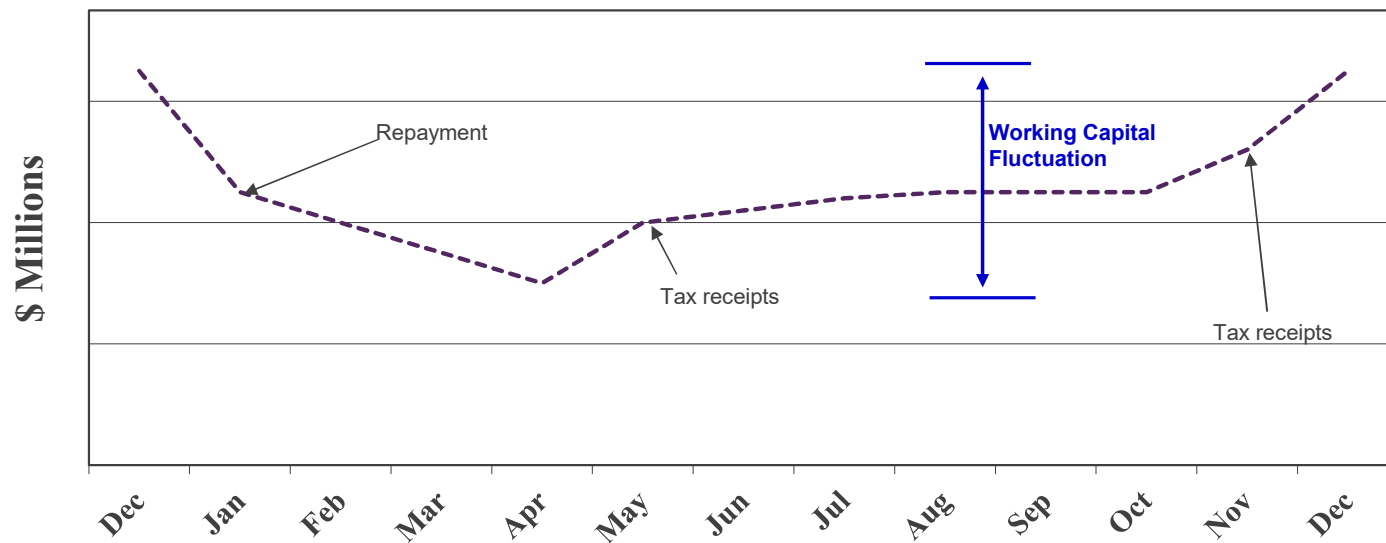
These funds, which includes 2 accounts at the State Treasurer and the Bank of America operating accounts are for daily operating purposes.

Allows for normal fluctuation throughout the year due to the “lumpiness” of several items:

- ✓ Property tax receipts
- ✓ Capital charge payments
- ✓ Capital spending
- ✓ Federal debt payment
- ✓ Outside services
- ✓ Power costs (vary based on pumping schedule)



Working Capital in a typical year



CAP Strategic Reserves

What are Strategic Reserves?

- To cover unknown or unplanned events; not for a specific purpose
- Reserves with a specific purpose that are intended to eventually be used are not included in Strategic Reserves

How are Strategic Reserves funded?

- Built up from tax revenues that were not utilized for other needs.
- Interest on investments at the state treasurer
- Are not built up from water rates or capital charges
- Changes in targets may take time to reach depending on the first 2 items



CAP Strategic Reserves

Capital Reserve - Provides coverage for costs related to repairing or replacing an extraordinary occurrence as well as to keep other projects progressing while repairs are made

Operating Reserve - Provides funds to continue operations in the event of a catastrophic event for employees, contractors, materials and supplies, etc. while cash may be delayed if deliveries are reduced or stopped

Contingency Reserve - Provides for property and liability damages to be available to respond to any claims, judgments, and related costs against the District, its officers, directors, and employees, if any, in excess of the outstanding insurance coverage; also provides coverage for extraordinary medical claims and legal claims



CAP Strategic Reserve Target

- The Strategic Reserve target is made of several reserves, each with its own purpose.
- Each reserve target is based on its own unique basis as appropriate for that reserve and are analyzed based on a consistent methodology, which is important from a financial management perspective.
- The methodology is based on best practices of the Government Finance Officers Association (GFOA).
- Currently the strategic reserve target is established as one target.
- The end of the year is the measurement point for comparison to the target.



CAP Extraordinary Cost Reserve

What is the Extraordinary Cost Reserve?

- It is a revolving fund intended to pay for large expenses that may not be appropriate for the water rate or may cause unplanned “spikes” in the water rate

Does it have a target?

- It has a target that is based on appropriate capital and non-capital projects that are anticipated over an 8-year horizon



CAP Reserves: Key Take-Aways

- CAP funds are managed and invested by the Arizona State Treasurer, except those needed to cover immediate expenses and costs
- CAP maintains several reserves for a variety of purposes
- There are a number of special purpose reserves, including those for CAGRD, Recovery, and Extraordinary Costs
- CAP also maintains Strategic Reserves that are held for unknown or unplanned events
- The CAP Board has established a target amount for these Strategic Reserves





Thank you!

Email Questions to:
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