

Tucson Water Department Overview



Mission Statement

To ensure customers receive high-quality water and excellent service in a safe, reliable, efficient, and environmentally responsible manner with reasonable, fair and affordable water rates for citizens. Provide the necessary resources to balance the need to maintain Tucson Water's critical infrastructure with the established rates. Above all, to continue to provide excellent customer service, professional development, and continuous process improvement.

The following divisions and functions are included in this department:

The **Conservation and Stormwater Resources** division oversees the maintenance, capital improvements, planning, outreach, and stakeholder and public involvement of green stormwater infrastructure. Key responsibilities include setting up the infrastructure that captures rainwater resources for beneficial reuse, flood protection, re-greening and beautifying neighborhoods, improving air and water quality, and mitigating urban heat island effects.

The **Business and Organizational Support Services** division promotes service excellence by providing centralized administrative support to the department, the City Manager, the Mayor and Council, and the Citizens' Water Advisory Committee (CWAC). Key responsibilities include providing financial services and analysis related to water rates and revenues, managing organizational development driving Focus 21 initiatives, budgeting development in coordination (operating and capital) with the Business Service Department, and system administration for the utility billing system.

The **Customer Service** division oversees water service-related activities including meter reading, service turn-on and turn-off, and issuing monthly water, sewer, and refuse bills. In addition, the call center and customer service representatives serve as the primary customer contact for most Tucson Water customers. Key responsibilities include conducting high bill investigations, investigating water waste complaints, and providing other customer assistance services. The division responds to water complaint issues and provides water audit services to customers with high bills and high water-use landscaping.

The **Director's Office** provides vision for the future and leadership for Tucson Water, overseeing the utility's programs, activities, and strategic planning process to ensure proactive compliance with the Mayor and Council's water policies, City Manager direction, regulatory requirements, and community expectations. This office supports all the utility's commitments and strategic initiatives. Key responsibilities include coordinating and facilitating communication with customers, the Mayor and Council, outside agencies, other city departments, and the media; providing personnel; training and safety programs; developing efficiency improvements; promoting water conservation through educational information; and training.

The **Planning and Engineering** division ensures that water production and distribution systems are planned, designed, constructed, and protected in a manner that meets customer needs, and complies with city, state, and federal consumer regulations. Key responsibilities include innovating and delivering the Capital Improvement Program (CIP) project through the use of existing alternate delivery methods and by developing new delivery methods using Job Ordering Contract resources and "Sketch-Build-Document".

The **Water Quality and Operations** division provides water quality sampling, analysis, and treatment to ensure that the highest quality water is available to our customers. Key responsibilities include overseeing all functions of water quality, including the operation of all water delivery facilities, maintaining regulatory compliance with all state, county, and federal agencies, and providing analytical support to the City of Tucson through its state-of-the-art laboratory facilities.

The **Source Water** division provides comprehensive planning to determine future water system needs. Key responsibilities include implementing methods to preserve groundwater, efficiently utilizing CAP water, and enhancing the use of alternative water resources such as reclaimed.

The **Water Maintenance** division ensures a continuous supply of water acceptable to customers in terms of cleanliness, clarity, flow, and pressure. Key responsibilities include maintaining all water production, disinfection, and distribution facilities and installing and maintaining new water services and meters.

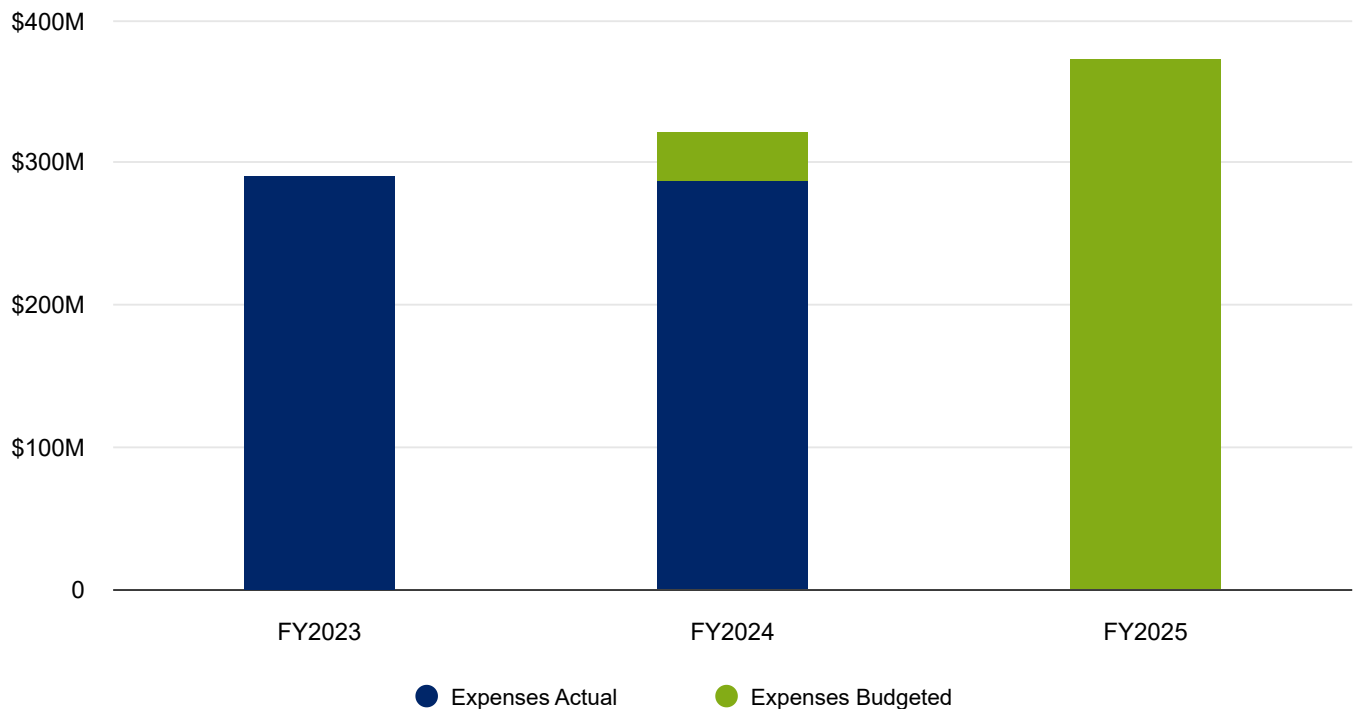
The **Water Other Utility** division provides budget capacity for various expenses not associated with specific programs within Tucson Water. Key responsibilities include budgeting general expenses and the administration of service charges.

Expenditure Summary

\$372,250,281

\$51,533,799 / 16.06% Higher Than the Prior Year's Budget

Historical Expenditures Across Department



Significant Changes

The Fiscal Year 2025 Tucson Water budget is \$373.7 million, a 16% increase from last year to support infrastructure improvements, rising operational costs, and reliable water service.

Key changes include:

- Capital Projects: Increase of \$42.9 Million for new infrastructure, funded by WIFA loans and federal Bipartisan Infrastructure Law support.
- Colorado River Water: Increase of \$4 Million due to higher drought-related costs driven by drought and water shortages.
- Employee Compensation: Increase of \$719,000 for market-based pay adjustments to attract qualified staff.
- Utilities: Increase of \$8.1 Million in electricity costs due to higher usage across facilities.
- Chemicals: Increase of \$711,000 for water treatment chemicals. Professional Services: Increase of \$4.9 Million for consulting on water-related projects and issues.
- Insurance: Decrease of \$815,000 insurance expenses Debt Costs: Decrease of \$2.5 Million from retiring debt and reducing the need for new borrows.
- Travel: A \$24,000 small reduction in travel expenses.

Trends

Revenues from water sales and development are expected to remain steady. A rate plan approved in 2023 provides for annual increases through 2027, with a 5.5% revenue increase included in the Fiscal Year 2025 budget.

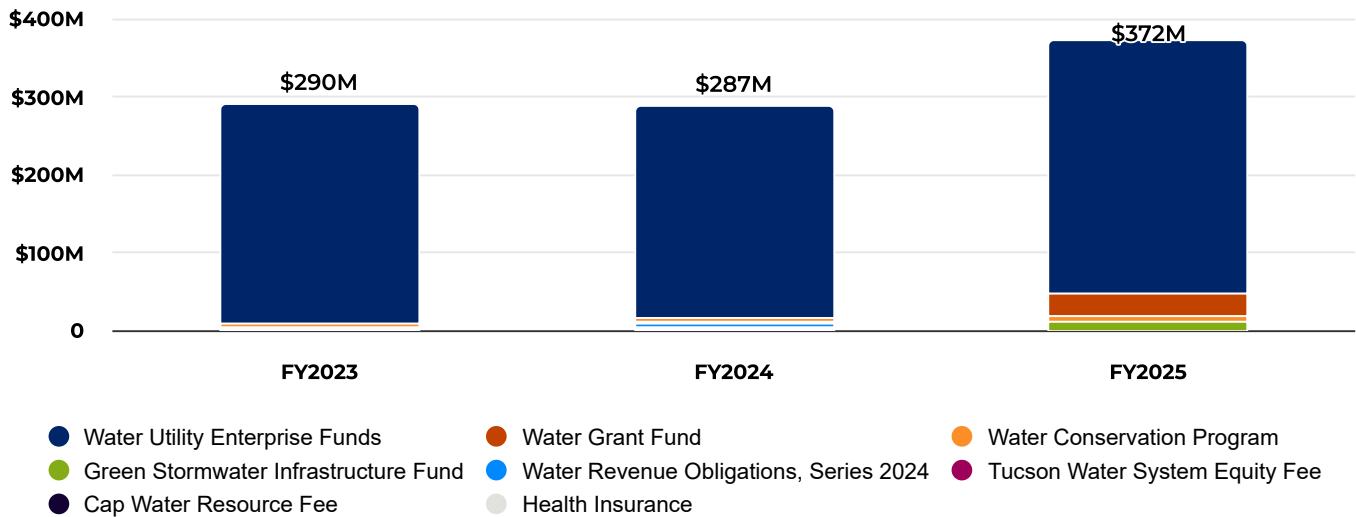
Expenditures by Fund

Tucson Water's adopted budget for Fiscal Year 2025 is \$372 million—a significant increase from \$287 million in Fiscal Year 2024 and \$290 million in Fiscal Year 2023. This growth reflects the community's strategic commitment to long-term water reliability, infrastructure improvements, and environmental sustainability.

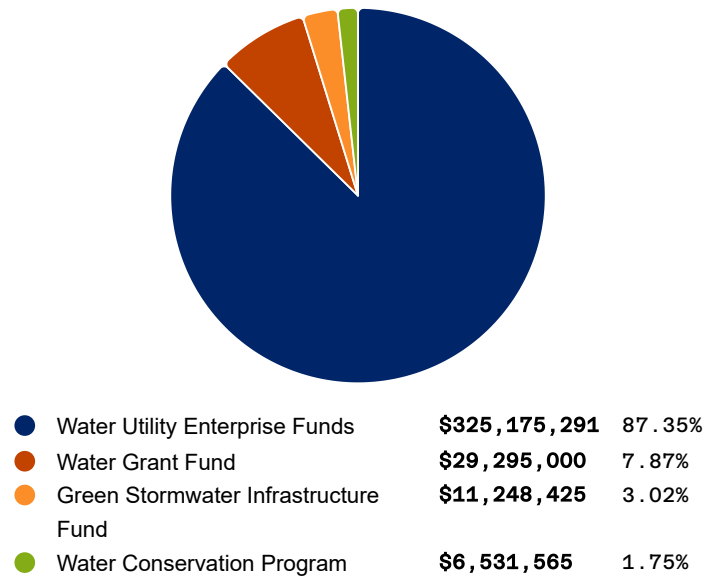
- Fiscal Year 2023: Expenditures totaled \$290 million, funded almost entirely by the Water Utility Enterprise Fund. The year saw an increase in salary and employee-related expenses, alongside a notable decrease in supplies.
- Fiscal Year 2024: Expenditures decreased slightly to \$287 million, with continued reliance on the Water Utility Enterprise Fund. Modest contributions came from the Water Conservation Program and the Green Stormwater Infrastructure Fund.
- Fiscal Year 2025: Expenditures are projected to rise sharply to \$372 million. This increase is primarily driven by expanded investment through the Water Utility Enterprise Fund and enhanced support from the Water Grant Fund. Additional funding sources include:
 - Water Grant Fund
 - Green Stormwater Infrastructure Fund
 - Water Conservation and Equity Fees
 - CAP Water Resource Fees

These combined resources ensure Tucson Water remains well-positioned to provide safe, high-quality water while meeting the demands of a growing population, addressing climate change impacts, and complying with evolving regulatory standards.

Historical Expenditures by Fund



Fiscal Year 2025 Expenditures by Fund



Note: Charts may not total 100% due to rounding.

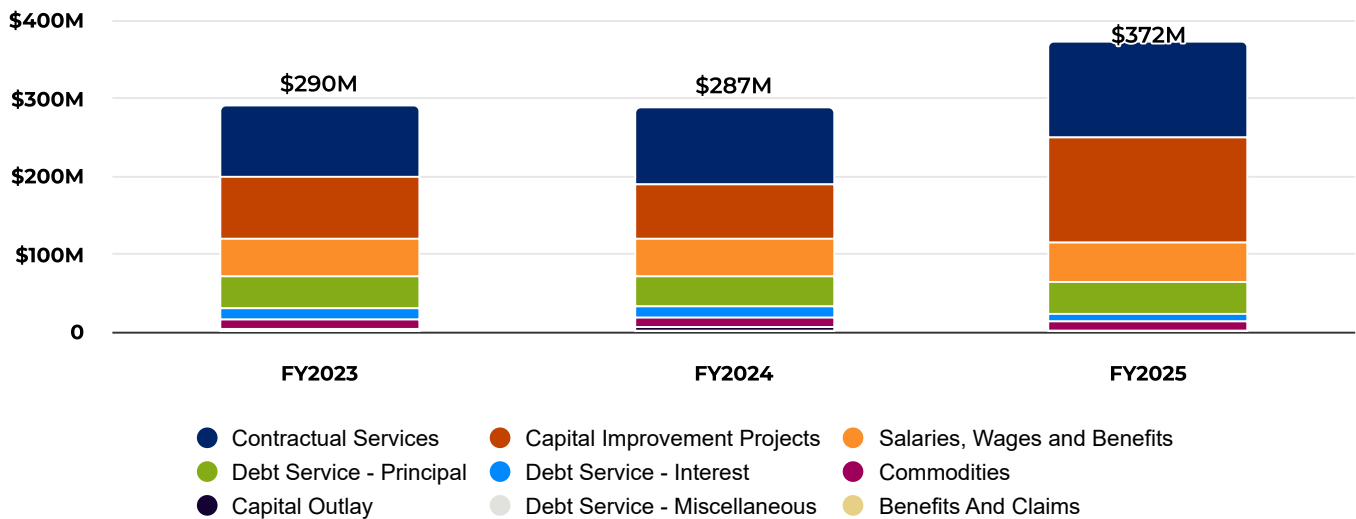
Expenditures by Type

This chart illustrates the historical trend of Tucson Water's expenditures over the past three fiscal years, highlighting strategic shifts in spending across core operational areas. For Fiscal Year 2025, the adopted expenditure budget is \$372 million—marking a significant investment in infrastructure, operations, and long-term sustainability.

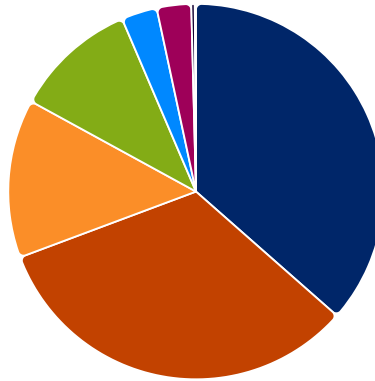
- Fiscal Year 2023: Total expenditures reached \$290 million, distributed primarily among Contractual Services, Capital Improvement Projects, and Salaries, Wages & Benefits. A smaller portion was allocated to Commodities.
- Fiscal Year 2024: Expenditures slightly declined to \$287 million, with a spending distribution similar to the previous year. Contractual Services saw a modest increase, along with a slight rise in Commodities.
- Fiscal Year 2025: Expenditures are projected to rise sharply to \$372 million, driven by targeted investments in critical areas:
 - Capital Improvement Projects: Increased by nearly \$43 million—the largest area of growth—funded in part through low-interest loans and federal infrastructure support, aimed at strengthening water infrastructure.
 - Utilities & Commodities: Costs rose by over \$8.8 million due to inflation and expanded operational needs, particularly in electricity and chemical usage.
 - Salaries, Wages & Benefits: Increased by \$719,000 to support market-rate pay adjustments and maintain competitive compensation.
 - Debt Service (Interest & Principal): Decreased by \$2.5 million, reflecting reduced reliance on new debt and continued repayment of existing obligations.
 - Insurance & Travel: Insurance expenses declined by \$815,000, while travel was trimmed by \$24,000—reflecting a focus on cost-conscious planning.

This detailed expenditure breakdown underscores Tucson Water's dedication to fiscal responsibility, infrastructure resilience, and delivering sustainable, high-quality water services to the community.

Historical Expenditures by Type



Fiscal Year 2025 Expenditures by Type



Capital Improvement Projects	\$135,845,256	36.49%
Contractual Services	\$122,145,300	32.81%
Salaries, Wages and Benefits	\$50,847,357	13.66%
Debt Service - Principal	\$39,464,472	10.60%
Debt Service - Interest	\$11,398,452	3.06%
Commodities	\$11,057,592	2.97%
Capital Outlay	\$1,137,012	0.31%
Debt Service - Miscellaneous	\$354,840	0.10%

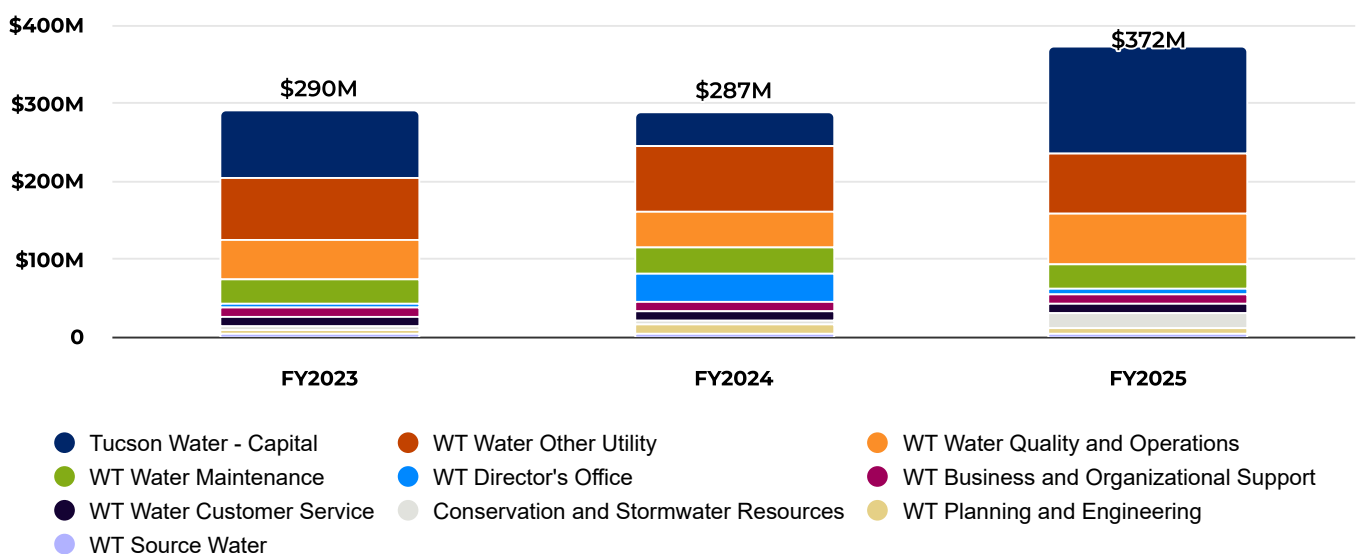
Expenditures by Cost Center

This chart illustrates how Tucson Water has distributed funding across key roles and operational units over the past three fiscal years, reflecting the department's evolving priorities and commitment to service excellence.

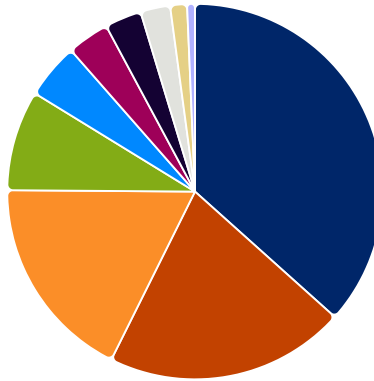
- Fiscal Year 2023: Total expenditures were \$290 million, with the majority allocated to:
 - Tucson Water – Capital
 - WT – Water Other Utility
 - WT – Water Quality and Operations
- Fiscal Year 2024: Expenditures dipped slightly to \$287 million, primarily due to a notable reduction in Tucson Water – Capital spending. However, this was balanced by growth in:
 - WT – Water Other Utility
 - WT – Water Maintenance
- Fiscal Year 2025: Expenditures rose significantly to \$372 million, with substantial funding directed toward:
 - Capital Projects: The largest expenditure category, capital investment increased significantly to support infrastructure renewal, water main upgrades, and new facility development. These efforts are largely funded through Water Infrastructure Finance Authority (WIFA) loans and Bipartisan Infrastructure Law grants.
 - Water Quality and Operations: Increased funding ensures compliance with evolving water quality regulations, upgrades treatment technologies, and supports growing service demand.
 - Water Maintenance: Expanded investment strengthens system reliability through proactive repairs, service line replacements, and pressure zone optimization to meet regional needs.
 - Customer Service & Organizational Support: Continued focus on high-quality customer care, modernization of billing systems, and improvements in service efficiency. This area also enhances operational transparency and internal support functions.
 - Planning & Engineering and Source Water: Resources are allocated to long-term strategic planning, expansion of reclaimed water use, and maintaining a resilient, diversified water supply.
 - Conservation and Stormwater Resources: Reflects growing investment in green infrastructure and stormwater mitigation efforts—key to meeting Tucson's environmental and climate adaptation goals.

This distribution underscores Tucson Water's comprehensive approach to service delivery—balancing immediate operational needs with long-term sustainability, system resilience, and community-focused investment.

Historical Expenditures by Cost Center



Fiscal Year 2025 Expenditures by Cost Center



Tucson Water - Capital	\$136,388,256	36.64%
WT Water Other Utility	\$77,104,716	20.71%
WT Water Quality and Operations	\$66,126,984	17.76%
WT Water Maintenance	\$32,189,520	8.65%
Conservation and Stormwater Resources	\$17,779,990	4.78%
WT Business and Organizational Support	\$13,509,252	3.63%
WT Water Customer Service	\$11,729,928	3.15%
WT Planning and Engineering	\$9,533,471	2.56%
WT Director's Office	\$5,405,472	1.45%
WT Source Water	\$2,482,692	0.67%

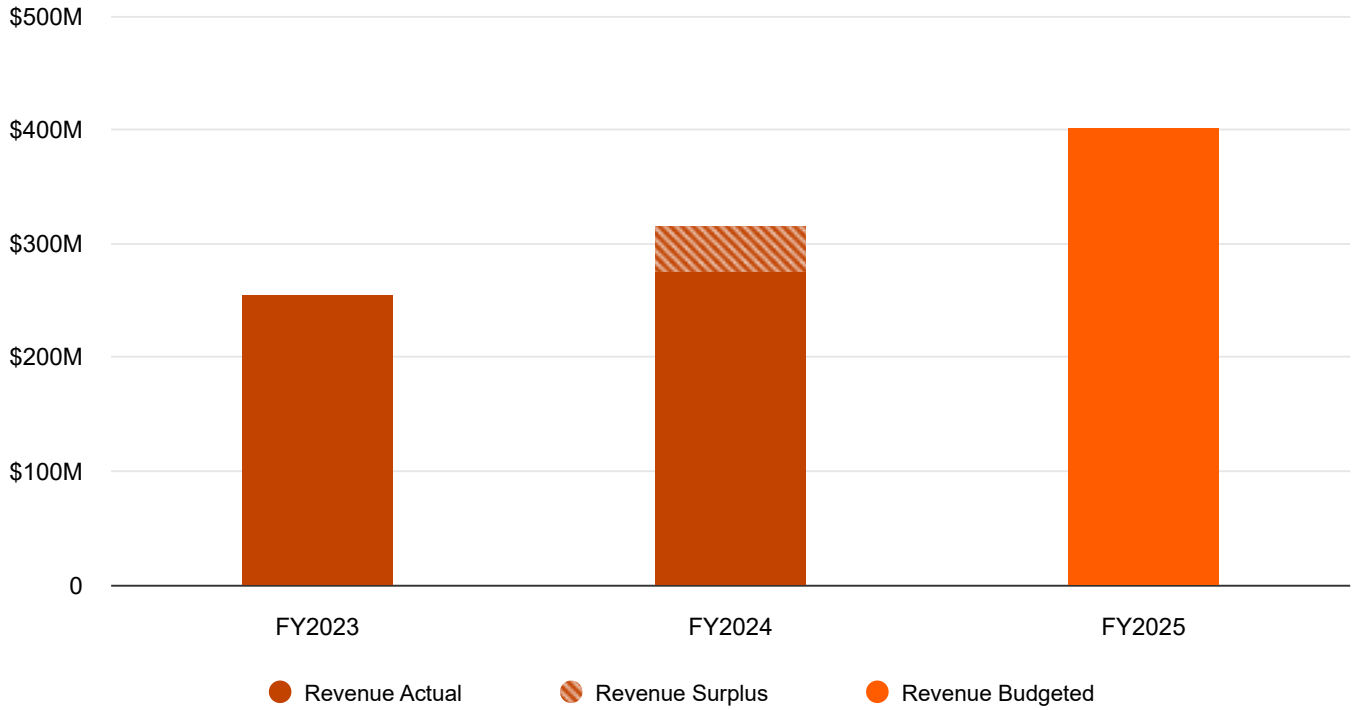
Revenue Summary

\$400,192,944

Includes Transfers In and Out

\$124,000,776 / 44.89% Higher Than the Prior Year's Budget

Historical Revenues Across Department

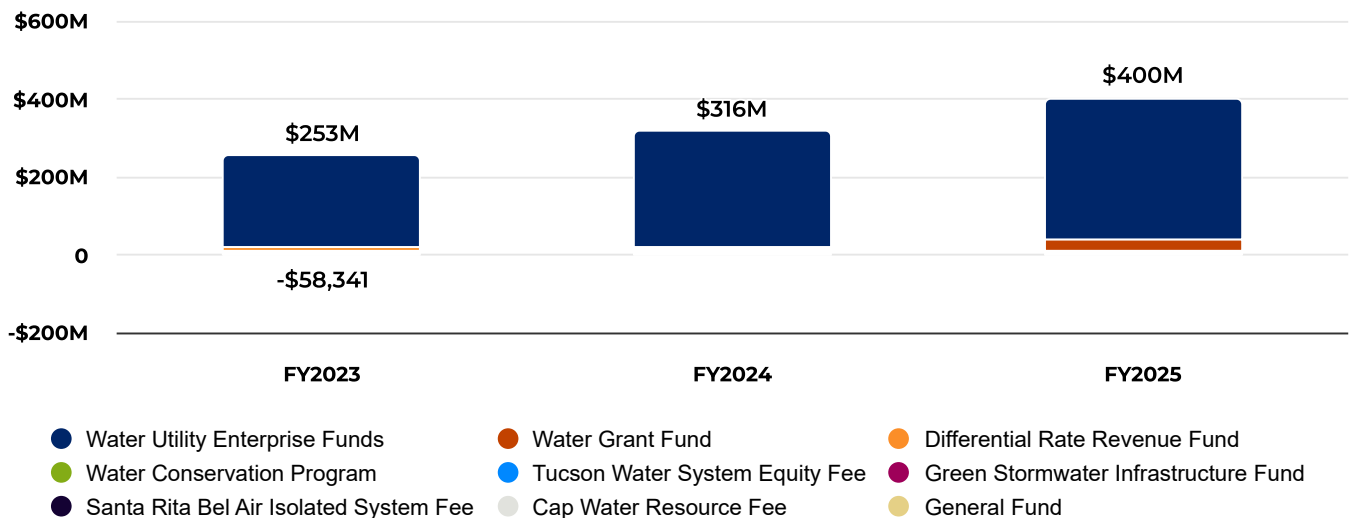


Revenues by Fund

Over the past three fiscal years, the City has seen steady growth in water-related revenues, reflecting a strong commitment to supporting essential services, infrastructure, and long-term sustainability.

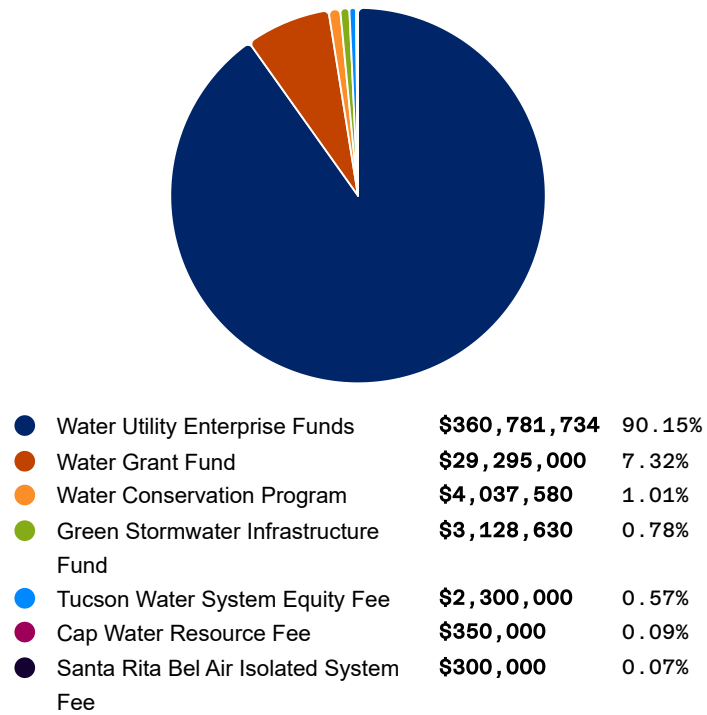
- Fiscal Year 2023: Total revenues were approximately \$253 million, primarily from the Water Utility Enterprise Funds. A modest deficit of about \$58,000 was recorded, likely due to timing differences in fund allocations or slightly higher expenses in specific areas.
- Fiscal Year 2024: Revenues increased to roughly \$316 million, driven by higher utility-related income and improved performance across multiple funding areas.
- Fiscal Year 2025: Projected revenues are expected to reach \$400 million—a significant jump attributed to:
 - Increased infrastructure investment,
 - Expanded water conservation initiatives, and
 - Enhanced grant funding opportunities, particularly through the Water Grant Fund.

This upward trajectory underscores the City's proactive approach to securing and diversifying funding sources to maintain critical water systems, advance sustainability goals, and address the ongoing challenges of drought and climate change.



Note: Fiscal Year 2023 (-\$58,341) indicates a transfer out.

Fiscal Year 2025 Revenues by Fund



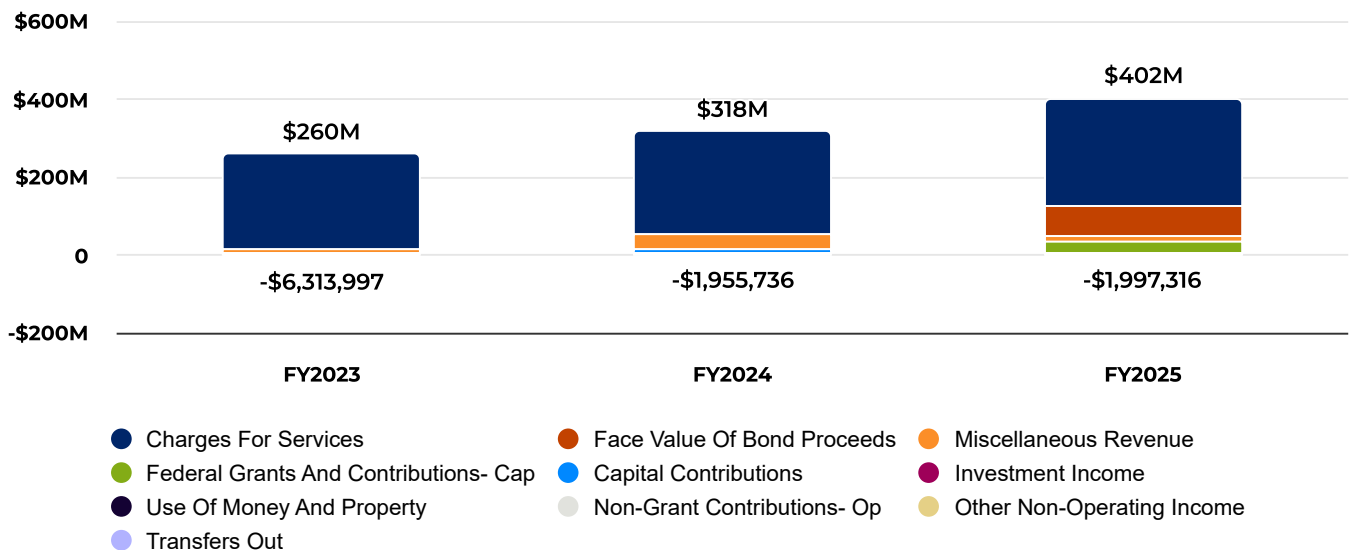
Note: Charts may not total 100% due to rounding.

Revenues by Funding Source

The City's water-related revenues have demonstrated steady growth over the past three fiscal years, driven by increases in service charges and the introduction of new funding sources.

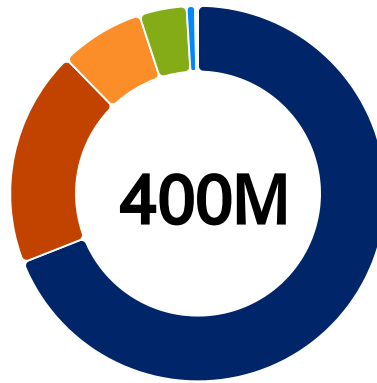
- Fiscal Year 2023: Revenues totaled approximately \$260 million, primarily generated from Charges for Services (water utility billing). A net reduction of about \$6.3 million was observed, likely due to transfers out or timing differences between revenues and expenditures.
- Fiscal Year 2024: Revenues rose to \$318 million, continuing to rely heavily on service charges. The net decrease narrowed to just under \$2 million, indicating an improved balance between revenue and expenses.
- Fiscal Year 2025: Revenues are projected to reach \$402 million, reflecting substantial gains from new funding sources:
 - Bond proceeds and capital contributions increased significantly to support major infrastructure investments.
 - Federal grants and non-grant contributions also contributed to the overall revenue growth.
 - The net deficit remained relatively flat at approximately \$2 million, suggesting continued progress toward aligning revenues with expenditures.

This upward trend highlights a strategic approach to diversifying the City's revenue base and strengthening long-term financial stability to meet growing infrastructure and service demands in the water sector.



Note: Fiscal Year 2023 (-\$6,313,997), Fiscal Year 2024 (-\$1,955,736) and Fiscal Year 2025 (-\$1,997,316) indicate a transfer out.

Fiscal Year 2025 Revenues by Type



Charges For Services	\$277,594,310	69.37%
Face Value Of Bond Proceeds	\$75,000,000	18.74%
Federal Grants And Contributions-Cap	\$29,295,000	7.32%
Miscellaneous Revenue	\$16,370,250	4.09%
Capital Contributions	\$2,950,000	0.74%
Investment Income	\$560,000	0.14%
Use Of Money And Property	\$420,700	0.11%
Transfers Out	-\$1,997,316	-0.50%

Accomplishments

- In Fiscal Year 2024, the Mayor and Council approved the One Water 2100 Master Plan, a forward-thinking strategy developed by Tucson Water with strong community input. The plan outlines a long-term vision for managing Tucson's water resources, including investments in infrastructure, conservation efforts, and policy development.
- Tucson Water successfully secured nearly \$25 million in state and federal funding to support key projects focused on improving water quality, expanding water resource capacity, and advancing conservation initiatives.
- In collaboration with the U.S. Department of the Interior, Tucson Water participated in a compensated system conservation program, helping to preserve the Lower Colorado River system by voluntarily leaving water in Lake Mead, supporting regional drought resilience.

Future Objectives

Tucson Water is committed to advancing the following key initiatives in Fiscal Year 2025 to ensure a sustainable, efficient, and community-focused water system:

- Launch implementation of the One Water 2100 Master Plan to guide long-term water resource planning, infrastructure investments, and policy actions.
- Protect public health by continuing to address water quality challenges, including monitoring and reducing contaminants like PFAS.
- Advance digital transformation, using modern technologies and data to improve operational efficiency, support sustainability, and enhance decision-making.
- Revamp the Water Loss Control Program to better monitor, identify, and reduce water loss and unaccounted-for usage within the system.
- Expand the Storm to Shade Program, leveraging Green Stormwater Infrastructure (GSI) fees to create more green, shaded spaces while managing stormwater effectively.
- Grow the Water Conservation Program, offering expanded outreach, incentives, and tools to support efficient water use throughout the community.
- Invest in the workforce by strengthening recruitment efforts, offering enhanced training, and promoting career development opportunities for current and future employees.

Position Resources

Fiscal Year 2025 Adopted FTE Count

