

Enterprise Funds

Enterprise Funds are self-sustaining accounts used to deliver public services on a fee-for-service basis. Revenues are intended to fully cover operational and capital costs, often with revenue-backed debt financing.

Tucson Water Utility Fund

- **Service:** Provides potable and reclaimed water:
- **Fiscal Year 2026 Budget Highlights:**
 - **Potable Water Sales:** \$203.7 million, representing 59% of total revenues.
 - **Reclaimed Water Sales:** \$11.7 million, supporting non-potable irrigation and industrial uses.
 - **Water Revenue Obligation bond proceeds** – invest in water system infrastructure.

Environmental Services Fund

- **Service:** Solid waste collection, recycling, and landfill operations.
- **Fiscal Year 2026 Budget Highlights:**
 - **Total Revenues:** \$76 million
 - **Primary Sources:** Residential, Commercial, and Landfill fees.
 - **Cost Drivers:** Homeless encampment cleanup and equipment purchases, and increased infrastructure and energy efficiency investment.

Tucson Golf Enterprise Fund

- **Service:** Operations of five municipal golf courses via Troon contract.
- **Fiscal Year 2026 Budget Highlights:**
 - **Revenue Decrease:** \$0.4 million
 - **Sources:** Golf fees, cart rentals, pro shop, and clubhouses.

Public Housing (AMP) Fund

- **Service:** Operates 1,505 public housing units (elderly/disabled, multi-unit, single-family).
- **Fiscal Year 2026 Budget Highlights:**
 - **Federal Grant Revenue:** Projected at \$9.3 million

Key Insight:

Enterprise Funds are a critical component of the City's strategy to maintain financial accountability and service quality without reliance on general tax revenues. Fiscal Year 2026 reflects increased cost recovery efforts (e.g., water rate and residential fee hikes) and strategic partnerships (e.g., federal conservation funding), ensuring continued infrastructure and service delivery.

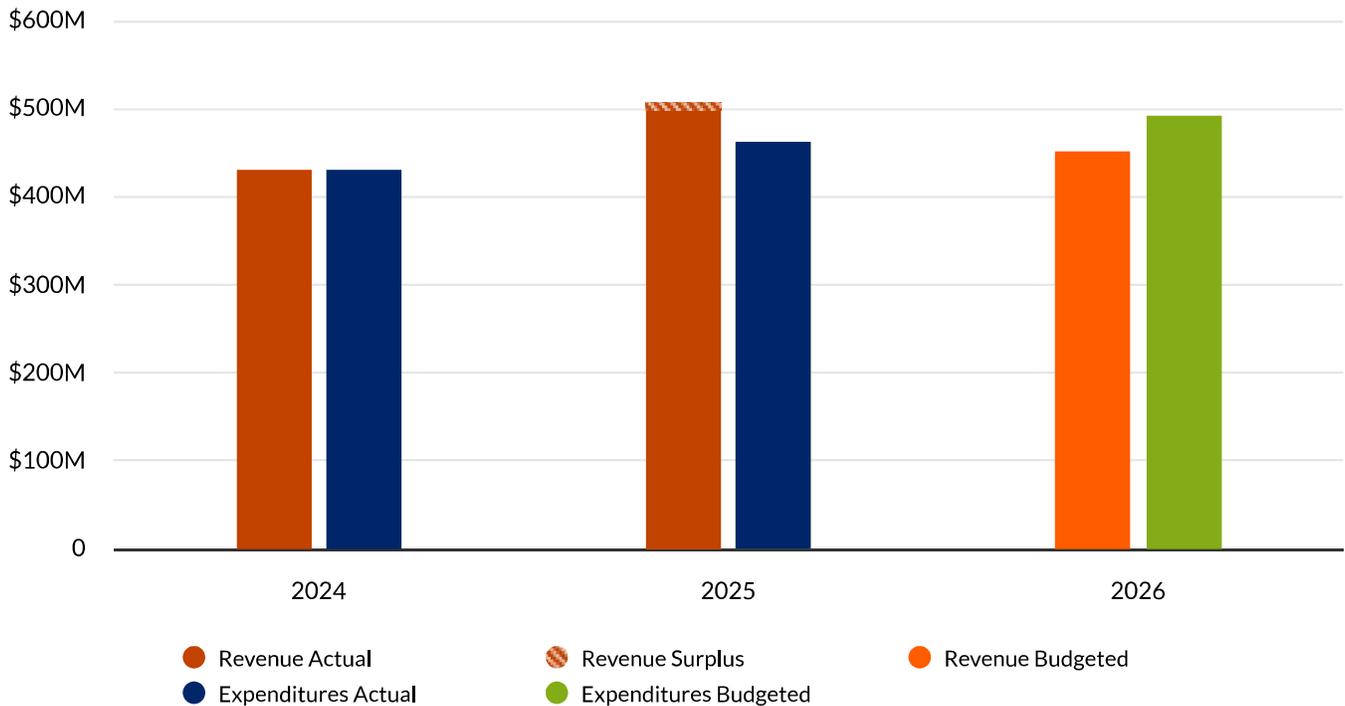
Enterprise Summary

This chart presents a comparison of revenues and expenditures for the City of Tucson's Enterprise Funds over Fiscal Years 2024 through 2026. Enterprise Funds are used to account for operations that are primarily funded through user fees rather than taxes—such as water services, environmental services, municipal golf course services, and public housing.

- In Fiscal Year 2026, Enterprise Fund expenditures are budgeted at \$491.4 million, an increase of 6.1% compared to the prior year's budget of \$462.9 million. In contrast, budgeted revenues are projected at \$452.1 million, reflecting a 9.4% decrease from the Fiscal Year 2025 revenue budget of \$498.6 million.
- This shift represents a reversal in Fiscal Year 2024, when actual revenues exceeded budget by 1.5% and actual expenditures were slightly under budget at 99.69%. The Fiscal Year 2026 budget assumes the use of water obligation bond proceeds of approximately \$38 million for improvements to the utility system.

To support long-term financial sustainability, the City's practice is to evaluate rate structures, cost containment strategies, and operational efficiencies within the Enterprise Funds. These measures will help ensure that essential services remain financially stable while continuing to meet community needs.

Revenues vs Expenditures Summary



Note: Amounts shown in the graphs are rounded up.

Enterprise Expenditures by Fund

This chart displays the City of Tucson’s historical Enterprise Fund expenditures from Fiscal Year 2024 through Fiscal Year 2026, broken down by individual funds. Enterprise Funds are primarily supported by user fees and are used to deliver services such as water, sanitation, and housing that operate similarly to private businesses.

Key Insights:

- The Water Utility operating fund remains the dominant category, totaling \$344.4 million. This represents an increase of \$41.6 million (13.7%), raising its share of the Enterprise Fund from 65.63% in Fiscal Year 2025 to 70.0% in Fiscal Year 2026. The Water Grant (includes bond proceeds) Fund grew significantly by \$28.9 million (318.9%) to \$37.9 million, expanding its share to 7.72%, compared to just 1.9% in the prior year.
- Environmental Services also experienced some growth, increasing by \$7.7 million (11.7%) to \$73.9 million, which now accounts for 14.9% of the total.
- The Tucson Golf Enterprise Fund experienced a modest decline of \$71,229 (0.59%), bringing expenditures to \$11.9 million, or 2.43% of the total, slightly lower than its 2.6% share in Fiscal Year 2025.

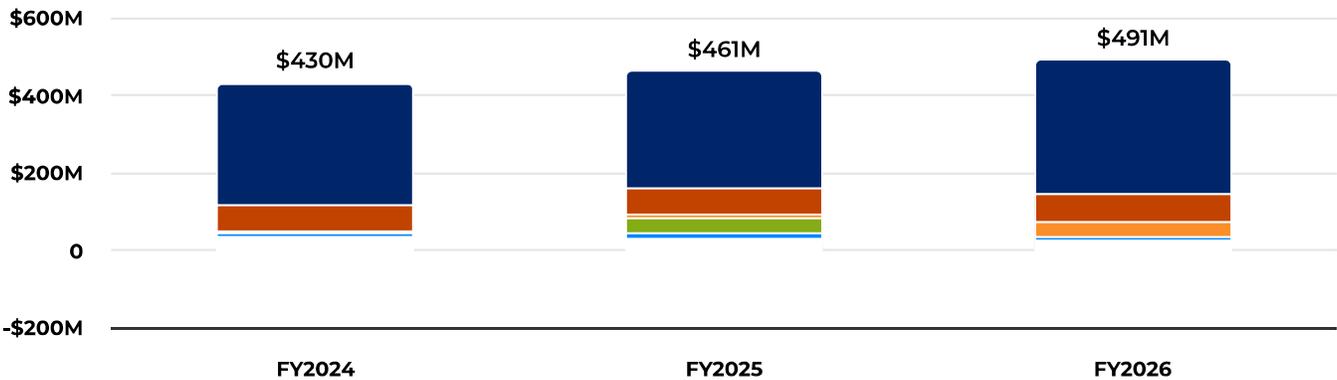
Other notable increases include:

- Water Conservation Program – up \$1.2 million (28.27%) to \$5.2 million.
- Housing Enterprise Fund 1 – up \$1 million (66.99%) to \$2.6 million.
- HCD Housing Zone 3 AMP – up \$1.5 million (116.47%) to \$2.9 million.
- HCD Housing Zone 5 AMP – up \$27,253 (1.46%) to \$1.9 million.

Conclusion:

The City’s enterprise expenditures demonstrate a strategic commitment to investing in infrastructure, environmental stewardship, and essential service delivery—all while maintaining financial independence from tax-based funding sources.

Historical Expenditures by Fund



- Water Utility Enterprise Funds
- Water Revenue Obligations, Series 2024
- Hcd Housing Tucson House Amp
- Hcd Housing Zone 6 Amp
- Hcd Housing Zone 3 Amp
- Differential Rate Revenue Fund
- Hcd Housing South Park 28 Amp
- Environmental Services Grant Fund
- Environmental Services
- Tucson Golf Enterprise Fund
- Hcd Non-Pha Asset Management
- Housing Enterprise Funds 1
- Hcd Housing Zone 4 Amp
- Hcd Housing Mlk 68 Amp
- Cap Water Resource Fee
- Santa Rita Bel Air Isolated System Fee
- Water Grant Fund
- Water Conservation Program
- Tucson Water System Equity Fee
- Hcd Housing Zone 5 Amp
- Hcd Housing Posadas Sentinel 140 Amp
- Hcd Housing Lander Amp
- Hcd Housing Silverbell 28 Amp
- HOUSING ENTERPRISE FUNDS 2

Note: Housing and Community Development (HCD)

Note: Amounts shown in the graphs are rounded up.

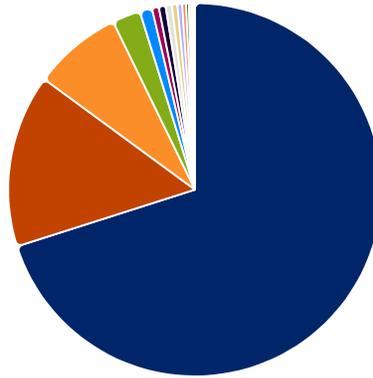
Other decreases include:

- HCD Housing Posadas Sentinel 140 AMP – down \$760,793 (44.72%) to \$940,500.
- HCD Housing Zone 6 AMP – down \$745,440 (30.26%) to \$1.7 million.
- HCD Housing Zone 4 AMP – down \$688,638 (38.73%) to \$1.1 million.
- HCD Housing Tucson House AMP – down \$481,173 (13.95%) to \$3 million.
- HCD Non-PHA Asset Management – down \$433,601 (14.93%) to \$2.5 million.
- HCD Housing Lander AMP – down \$223,116 (42.23%) to \$305,200.
- Santa Rita Bel Air Isolated System Fee – down \$207,746 (100%).

Conclusion:

The City's enterprise expenditures demonstrate a strategic commitment to investing in infrastructure, environmental stewardship, and essential service delivery—all while maintaining financial independence from tax-based funding sources.

Fiscal Year 2026 Expenditures by Fund



Water Utility Enterprise Funds	\$344,428,241	70.09%
Environmental Services	\$73,652,020	14.99%
Water Grant Fund	\$37,939,692	7.72%
Tucson Golf Enterprise Fund	\$11,934,990	2.43%
Water Conservation Program	\$5,238,840	1.07%
Hcd Housing Tucson House Amp	\$2,969,250	0.60%
Hcd Housing Zone 3 Amp	\$2,856,708	0.58%
Housing Enterprise Funds 1	\$2,570,389	0.52%
Hcd Non-Pha Asset Management	\$2,469,860	0.50%
Hcd Housing Zone 5 Amp	\$1,895,550	0.39%
Hcd Housing Zone 6 Amp	\$1,718,070	0.35%
Hcd Housing Zone 4 Amp	\$1,089,625	0.22%
Hcd Housing Posadas Sentinel 140 Amp	\$940,500	0.19%
Hcd Housing Milk 68 Amp	\$718,121	0.15%
Hcd Housing Lander Amp	\$305,200	0.06%
Environmental Services Grant Fund	\$245,700	0.05%
Hcd Housing South Park 28 Amp	\$234,700	0.05%
Hcd Housing Silverbell 28 Amp	\$200,300	0.04%
HOUSING ENTERPRISE FUNDS 2	\$0	0.00%

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

Enterprise Expenditures by Type

This chart illustrates how the City of Tucson allocates Enterprise Fund expenditures by category from Fiscal Year 2024 to Fiscal Year 2026. These funds support services such as water delivery, environmental management, and housing programs, and are primarily funded by user fees. Total Enterprise Fund expenditures are budgeted at \$491.4 million, an increase of 6.2% compared to the prior year.

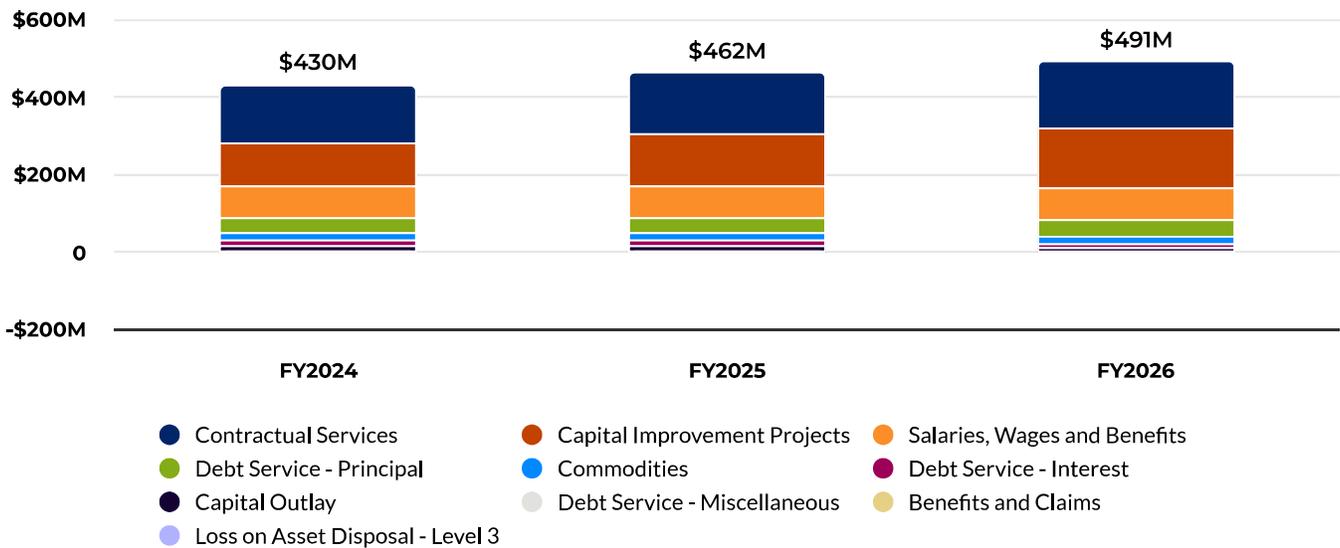
Key Observations:

- Contractual Services remains the largest expenditure category at \$172.5 million, increasing by \$15.3 million (9.8%). Its share of the total budget rose slightly to 35.11%, up from 34.1% in Fiscal Year 2025. This reflects the cost of outsourced services such as facility maintenance, utility operations, and vendor support.
- Capital Improvement Projects (CIP) continues as the second-largest category, rising by \$22.4 million (16.7%) to \$156.4 million. CIP now represents 31.82% of total expenditures, up from 29.04% the prior year, reflecting the City’s sustained investment in infrastructure and long-term capital needs.
- Salaries, Wages, and Benefits also represent a significant portion of enterprise spending. The Fiscal Year 2026 budget is \$82.9 million, representing \$16.9% of the total budget. This funding ensures adequate staffing for operations across departments.
- Debt Service – principal comprises \$40.5 million and the interest amount totals \$11.6 million.

Looking Ahead:

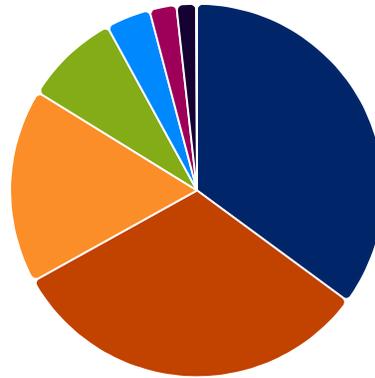
Total enterprise expenses are expected to rise from \$462 million in Fiscal Year 2025 to \$491 million in Fiscal Year 2026. This increase supports critical infrastructure improvements, enhances service delivery, and aligns with the City’s long-term investment strategy to maintain essential public services without relying on tax revenues.

Historical Expenditures by Type



Note: Amounts shown in the graphs are rounded up.

Fiscal Year 2026 Expenditures by Type



Contractual Services	\$172,521,989	35.11%
Capital Improvement Projects	\$156,377,200	31.82%
Salaries, Wages and Benefits	\$82,919,583	16.87%
Debt Service - Principal	\$40,489,785	8.24%
Commodities	\$18,891,970	3.84%
Debt Service - Interest	\$11,559,686	2.35%
Capital Outlay	\$8,292,741	1.69%
Debt Service - Miscellaneous	\$354,800	0.07%

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

Enterprise Revenues by Fund

Tucson Water Utility Fund

Tucson Water, the City of Tucson's water utility, is committed to providing high-quality water service to the community. As an enterprise fund, the Tucson Water Utility Fund was established to set fees or charges to recover the cost of providing water services, including related associated capital costs.

The Tucson Water revenues reported within this fund include potable water sales, reclaimed water sales, water supply fees, water conservation fees, connection fees, and other miscellaneous operating revenues. Non-operating revenues within this fund include interest earnings, reimbursement from the Tucson Airport Authority Remediation Project, equity fees, and miscellaneous state and federal grants.

Potable and non-potable water sales account for approximately 70% of Tucson Water's annual revenue collection. For fiscal Year 2026, water sales are budgeted to be \$215.4 million, which rose from the Fiscal Year 2025 budget, primarily the result of approved rate increases. Other revenue outside those previously outlined increased significantly as a result of Tucson Water's partnership with the Bureau of Reclamation to preserve water levels in Lake Mead. Additionally, \$38 million in bond proceeds were budgeted this fiscal year and will be used to fund improvement to the City's water system.

Environmental Services Fund

Environmental Services provides Tucson citizens and businesses with refuse and recycling collection and waste disposal services. The department operates the City's landfill in compliance with state and federal regulations and administers the City's Environmental Compliance and Brownfields programs as well as the Household Hazardous Waste program. The department also includes other Citywide environmental programming, such as food waste composting, neighborhood clean-ups and mitigating the impact of vacant and neglected structures.

The major revenue sources for the Environmental Services Fund are Residential, Commercial, and Landfill Services collections, budgeted at \$75.9 million for Fiscal Year 2026, reflecting an increase from the last two fiscal years of approximately \$4.1 million. The fund's major revenue sources are from charges for services to collect recycling and trash from residences in the City, services provided to commercial customers and charges to customers to utilize the landfill.

The City receives Brownsfield grant funds from the Environmental Protection Agency to support cleanup and redevelopment of contaminated properties. This year's grant funding budget is \$245,700, reflecting an increase of \$200,000 from the Fiscal Year 2025 budget.

Environmental Services is a self-supporting enterprise fund of the City of Tucson with rates and fees based on cost of service. The cost of service study will be updated in Fall 2025 to include increased costs for homeless camp cleanups and equipment replacement needs. In addition, capital project expenditures will also increase over the prior fiscal year as part of the City's climate action initiative.

Tucson Golf Enterprise Fund

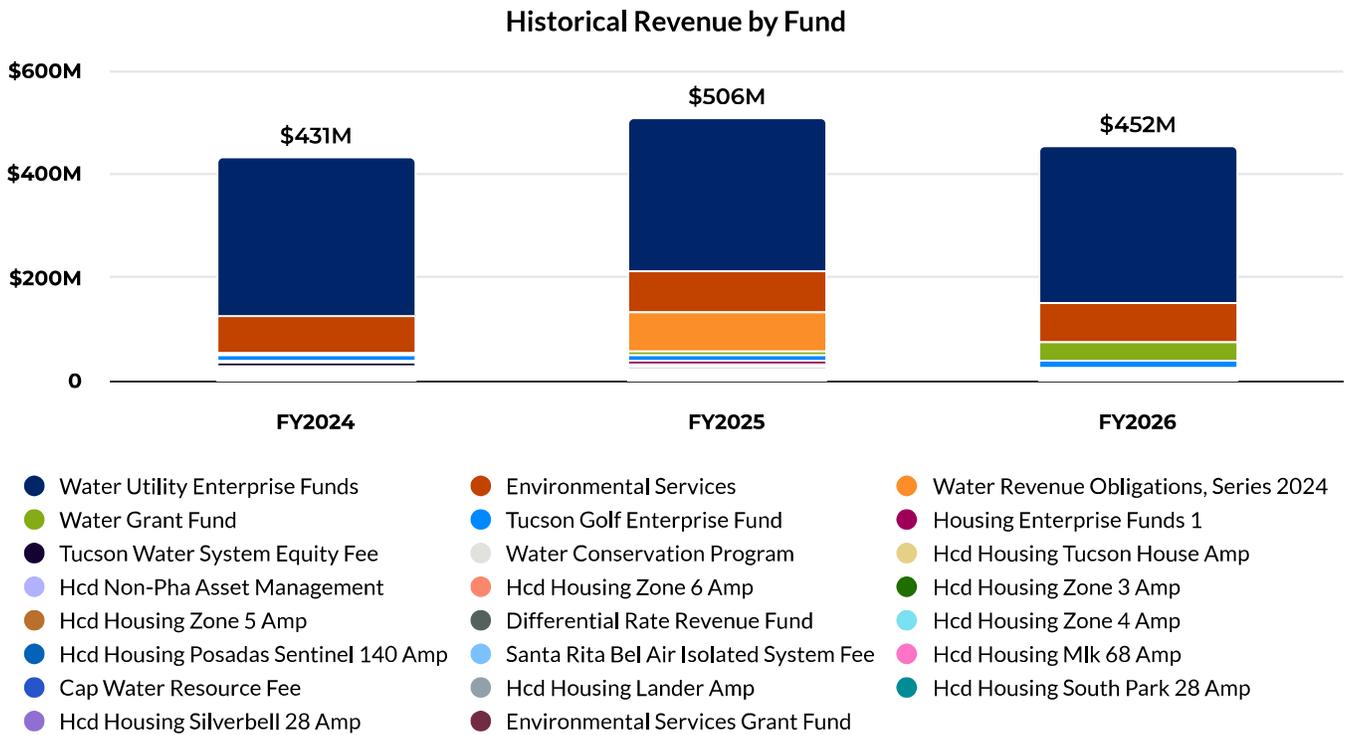
The Tucson Golf Fund operates five golf courses throughout the city: El Rio, Randolph, Dell Urich, Fred Enke, and Silverbell. The revenues funding the golf operations include golf fees, cart rental, driving range, pro shops, and food and beverage sales. The City contracts with Troon to manage the golf operations.

The Fiscal Year 2026 revenue budget reflects a \$0.4 million decrease over the Fiscal Year 2025 Adopted Budget. The decrease is mostly from declines in El Rio and Fred Enke golf course revenues.

Public Housing (AMP) Fund

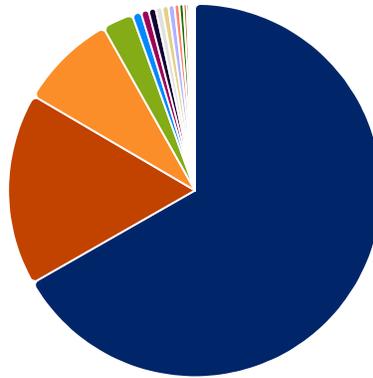
Public Housing provides decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. The City of Tucson owns and manages 1,505 public housing units located throughout the city. The public housing unit portfolio includes elderly/disabled high-rises, multi-unit housing complexes, and scattered site single-family homes.

The Public Housing (AMP) Funds federal grant funding is projected to increase from Fiscal Year 2025 estimated total of \$16.9 million to \$18 million for Fiscal Year 2026.



Note: Amounts shown in the graphs are rounded up.

Fiscal Year 2026 Revenues by Fund



Water Utility Enterprise Funds	\$301,694,700	66.72%
Environmental Services	\$75,618,670	16.72%
Water Grant Fund	\$37,939,692	8.39%
Tucson Golf Enterprise Fund	\$12,181,620	2.69%
Water Conservation Program	\$3,550,400	0.79%
Hcd Housing Tucson House Amp	\$2,969,250	0.66%
Hcd Housing Zone 3 Amp	\$2,856,710	0.63%
Housing Enterprise Funds 1	\$2,570,390	0.57%
Hcd Non-Pha Asset Management	\$2,469,860	0.55%
Tucson Water System Equity Fee	\$2,300,000	0.51%
Hcd Housing Zone 5 Amp	\$1,895,550	0.42%
Hcd Housing Zone 6 Amp	\$1,718,070	0.38%
Hcd Housing Zone 4 Amp	\$1,089,620	0.24%
Hcd Housing Posadas Sentinel 140 Amp	\$940,500	0.21%
Hcd Housing Mlk 68 Amp	\$718,120	0.16%
Cap Water Resource Fee	\$350,000	0.08%
Hcd Housing Lander Amp	\$305,200	0.07%
Santa Rita Bel Air Isolated System Fee	\$300,000	0.07%
Environmental Services Grant Fund	\$245,700	0.05%
Hcd Housing South Park 28 Amp	\$234,700	0.05%
Hcd Housing Silverbell 28 Amp	\$200,300	0.04%

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

Enterprise Revenues by Funding Source

This chart highlights the historical and projected revenue composition of the City of Tucson's Enterprise Funds, broken down by funding source from Fiscal Year 2024 through Fiscal Year 2026.

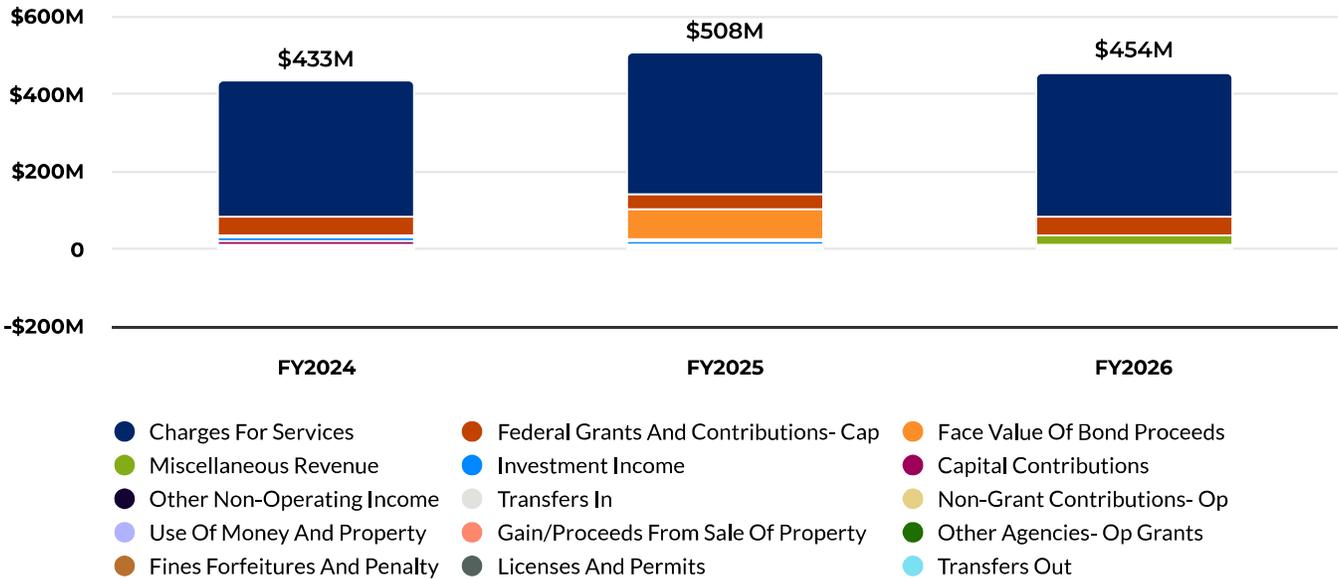
Key Highlights:

- Charges for Services overwhelmingly dominate enterprise revenue, contributing the majority of funding across all three fiscal years:
 - \$318 million in Fiscal Year 2024
 - \$349 million in Fiscal Year 2025
 - \$365 million in Fiscal Year 2026
- This reflects the self-sustaining nature of Enterprise Funds, which rely primarily on user fees (e.g., water, waste management, housing).
- Water Revenue Bond Proceeds, Capital Contributions, Non-Grant Contributions, and Federal Grants also play supporting roles, especially in Fiscal Year 2026, indicating targeted investments in capital projects or infrastructure upgrades.
- Investment Income, Use of Money and Property, and Miscellaneous Revenue make up smaller but stable revenue streams that support operational flexibility.
- The City issued new water revenue bonds in Fiscal Year 2025 totaling \$75 million. Bond proceeds of \$37.5 million were spent in Fiscal Year 2025, with the remaining proceeds of \$37.5 million budgeted in Fiscal Year 2026.

Trends:

- Total enterprise revenues are projected to increase from \$433 million in Fiscal Year 2024 to \$454 million in Fiscal Year 2026, reflecting both inflationary adjustments and rising demand for city services.
- Negative values listed at the bottom represent a transfer from the Water Utility Fund to the General Fund for property in lieu of taxes for each fiscal year.

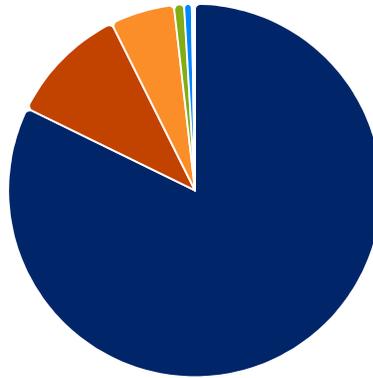
Historical Revenue by Funding Source



Notes: Fiscal Year 2024 (-\$2,238,480), Fiscal Year 2025 (-\$2,110,520) and Fiscal Year 2026 (-\$1,997,300) indicate transfer out.

Note: Amounts shown in the graphs are rounded up.

Fiscal Year 2026 Revenues by Funding Source



● Charges For Services	\$373,459,760	82.60%
● Federal Grants And Contributions-Cap	\$47,297,342	10.46%
● Miscellaneous Revenue	\$25,164,900	5.57%
● Investment Income	\$3,988,650	0.88%
● Capital Contributions	\$2,950,000	0.65%
● Gain/Proceeds From Sale Of Property	\$575,000	0.13%
● Use Of Money And Property	\$443,600	0.10%
● Other Agencies- Op Grants	\$245,700	0.05%
● Other Non-Operating Income	\$20,100	0.00%
● Fines Forfeitures And Penalty	\$1,300	0.00%
● Transfers Out	-\$1,997,300	-0.44%

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