

Attachment B - Staff Recommendation

3.5% YOY Rate Increase; 40% Debt Funded CIP

Tucson Water

Financial Planning & Rate Model
Financial Summary

	40% CIP Debt		Rate-Setting Period				
	Historical FY 2025 Actual	Budget FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
Annual Water System Results							
<u>Revenue</u>							
Potable Water Sales ¹	\$ 246,936,535	\$ 259,925,012	\$ 266,958,946	\$ 274,348,279	\$ 282,506,921	\$ 290,696,280	\$ 305,876,975
Reclaimed Water ²	11,719,684	12,089,151	12,434,764	12,767,916	13,401,144	13,834,117	14,549,286
Misc. Revenue ³	29,973,588	19,983,345	19,860,614	19,746,704	19,612,024	19,472,200	19,327,005
Onetime Revenue	12,000,000	44,433,448	-	-	-	-	-
Bond Proceeds	75,867,890	-	79,000,000	-	87,000,000	-	92,600,000
Differential Revenue	739,253	-	-	-	-	-	-
Subtotal: Revenue	\$ 377,236,950	\$ 336,430,957	\$ 378,254,324	\$ 306,862,900	\$ 402,520,090	\$ 324,002,597	\$ 432,353,266
<u>Expenses</u>							
O&M	\$ 155,702,356	\$ 161,009,153	\$ 172,255,446	\$ 184,824,740	\$ 193,003,455	\$ 200,726,781	\$ 213,159,375
Admin Service Charge	12,702,840	12,529,300	13,030,472	13,551,691	14,093,759	14,657,509	15,243,809
Satellite Department	148,299	-	-	-	-	-	-
Subtotal: O&M	\$ 168,553,495	\$ 173,538,453	\$ 185,285,918	\$ 198,376,431	\$ 207,097,214	\$ 215,384,290	\$ 228,403,184
<u>Debt Service</u>							
Senior	\$ 52,114,872	\$ 47,488,408	\$ 47,417,052	\$ 47,418,972	\$ 48,692,669	\$ 49,374,102	\$ 45,653,098
Junior	3,745,593	3,745,943	2,988,513	1,730,156	1,476,687	1,476,687	1,293,072
All-In Debt Service	55,860,465	51,234,351	50,405,565	49,149,128	50,169,356	50,850,789	46,946,170
<u>Cash Financed Capital</u>							
Cash Financed Capital ⁵	75,835,664	71,011,192	58,027,583	61,121,642	64,247,098	66,284,273	68,250,301
Isolated System Purchase	-	8,400,000	-	-	-	-	-
Compensated Conservation Projects	5,392,936	4,950,000	-	-	-	-	-
Bond Projects	41,063,081	34,804,808	38,500,000	40,500,000	42,750,000	44,250,000	45,600,000
Subtotal: System Expenses	\$ 346,705,641	\$ 343,938,804	\$ 332,219,066	\$ 349,147,202	\$ 364,263,668	\$ 376,769,352	\$ 389,199,655
Annual Net Revenue	\$ 30,531,310	\$ (7,507,847)	\$ 46,035,258	\$ (42,284,302)	\$ 38,256,422	\$ (52,766,755)	\$ 43,153,611
<u>Capital Improvement Projects</u>							
Cash Financed CIP	\$ 81,228,599	\$ 84,361,192	\$ 58,027,583	\$ 61,121,642	\$ 64,247,098	\$ 66,284,273	\$ 68,250,301
Debt Financed CIP	41,063,081	34,804,808	38,500,000	40,500,000	42,750,000	44,250,000	45,600,000
Subtotal: CIP (Excluding WIFIA and Grants)	\$ 122,291,681	\$ 119,166,000	\$ 96,527,583	\$ 101,621,642	\$ 106,997,098	\$ 110,534,273	\$ 113,850,301
<i>% Annual CIP from Debt</i>			40%	40%	40%	40%	40%
<u>Ending Fund Balances (Excl Conservation Fund)</u>							
Operating Fund (net of Restricted)	\$ 13,699,698	\$ 44,680,421	\$ 69,128,699	\$ 69,065,285	\$ 64,792,594	\$ 57,996,728	\$ 55,871,227
Restricted Reserves (Comp Cons, Bonds, Diff)	83,957,515	45,468,945	67,055,925	24,835,037	67,364,149	21,393,261	66,672,373
Infrastructure Fund	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total: Fund Balance	\$ 117,657,213	\$ 110,149,366	\$ 156,184,624	\$ 113,900,322	\$ 152,156,743	\$ 99,389,989	\$ 142,543,600
<u>Days of O&M</u>							
All Funds	255	232	308	210	268	168	228
Excluding Differential Reserve	149	196	228	210	190	168	153
<u>Debt Coverage (incl Conservation Fund)</u>							
Senior Debt Service Coverage	2.82	3.70	2.68	2.57	2.51	2.48	2.75
All-in Debt Service Coverage	2.64	3.43	2.52	2.48	2.43	2.41	2.68
<u>Rate Changes</u>							
Inside Residential Bill & CCF	\$48.02	\$50.91	\$52.30	\$53.74	\$55.23	\$56.77	\$59.80
\$ Change	\$2.39	\$2.89	\$1.39	\$1.44	\$1.49	\$1.54	\$3.03
% Change			2.7%	2.7%	2.7%	2.7%	5.1%
Outside Residential Bill & CCF	\$48.02	\$58.45	\$60.11	\$61.82	\$63.59	\$65.43	\$68.89
\$ Change	\$48.02	\$10.43	\$1.66	\$1.71	\$1.77	\$1.83	\$3.46
% Change			2.8%	2.8%	2.8%	2.8%	5.0%
<u>Assumed Rate Increases</u>							
Potable			3.50%	3.50%	3.50%	3.50%	5.00%
CAP			0.00%	0.00%	0.00%	0.00%	7.50%
Conservation Fee			0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

- Potable water sales includes fixed and volumetric charges and summer surcharge CAP fee.
- Reclaimed Water includes fixed and volumetric charges assessed to reclaimed water customers.
- Misc. Revenue includes system equity fees, CAP fees, connection fees, billing services, and storage fees.
- O&M includes a 6% escalator on personnel and a 4% escalator on nonpersonnel.

Tucson Water Proposed Rates FY2027-2030: Smoothing Model with Reclaimed Increase, 3.5% Rate Adjustments, Inside City

Rate Component/Class	2026			2027			2028			2029			2030		
	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler
Service Charge	Approx. Revenue from Fixed Charge			30%			31%			32%			33%		
Meter Size			28%												
5/8"	\$19.22	\$13.56		\$20.65	\$ 14.28		\$21.84	\$14.78		\$23.14	\$15.30		\$24.48	\$15.83	
3/4"	\$26.20	\$0.00		\$28.11	\$ 18.55		\$29.73	\$19.20		\$31.49	\$19.87		\$33.32	\$20.56	
1"	\$40.15	\$24.96		\$43.03	\$ 27.09		\$45.50	\$28.03		\$48.20	\$29.02		\$51.00	\$30.03	
1.5"	\$75.05	\$43.95		\$80.31	\$ 48.43		\$84.93	\$50.13		\$89.96	\$51.88		\$95.20	\$53.70	
2"	\$116.91	\$66.74	\$18.50	\$125.06	\$ 74.05	\$19.10	\$132.25	\$76.64	\$19.64	\$140.08	\$79.32	\$20.20	\$148.24	\$82.10	\$20.81
2.5"	\$172.73	\$97.14	\$0.00	\$184.71	\$ 108.20	\$25.77	\$195.34	\$111.99	\$26.50	\$206.91	\$115.91	\$27.27	\$218.96	\$119.97	\$28.08
3"	\$228.55	\$127.53	\$31.49	\$244.37	\$ 142.36	\$32.45	\$258.44	\$147.34	\$33.37	\$273.74	\$152.50	\$34.33	\$289.68	\$157.83	\$35.36
4"	\$389.04	\$214.90	\$49.67	\$415.89	\$ 240.55	\$51.65	\$439.82	\$248.97	\$53.11	\$465.86	\$257.68	\$54.65	\$492.99	\$266.70	\$56.28
6"	\$790.96	\$433.71	\$96.43	\$845.42	\$ 486.46	\$99.73	\$894.08	\$503.49	\$102.55	\$947.01	\$521.11	\$105.52	\$1,002.17	\$539.35	\$108.66
8"	\$1,191.48	\$651.76	\$143.19	\$1,273.47	\$ 731.52	\$147.64	\$1,346.76	\$757.13	\$151.82	\$1,426.49	\$783.62	\$156.21	\$1,509.57	\$811.05	\$160.87
10"	\$1,819.48	\$993.65	\$217.22	\$1,944.61	\$ 1,115.76	\$222.77	\$2,056.54	\$1,154.81	\$229.08	\$2,178.29	\$1,195.23	\$235.69	\$2,305.16	\$1,237.06	\$242.73
12"	\$3,005.69	\$1,639.45	\$354.90	\$3,212.34	\$ 1,841.54	\$364.67	\$3,397.24	\$1,906.00	\$375.00	\$3,598.35	\$1,972.71	\$385.83	\$3,807.93	\$2,041.75	\$397.34
Usage Charge (Per Ccf)															
Residential (Single Family) Block Rates															
1-7 Ccf	\$2.32			\$2.33			\$2.40			\$2.47			\$2.54		
8-15 Ccf	\$4.25			\$4.26			\$4.40			\$4.52			\$4.65		
16-30 Ccf	\$8.56			\$8.57			\$8.70			\$8.75			\$8.85		
Over 30 Ccf	\$12.87			\$12.89			\$12.95			\$13.00			\$13.10		
Residential (Duplex-Triplex) Block Rates															
1-10 Ccf	\$2.32			\$2.33			\$2.40			\$2.47			\$2.54		
10-20 Ccf	\$4.25			\$4.26			\$4.40			\$4.52			\$4.65		
21-35 Ccf	\$8.56			\$8.57			\$8.70			\$8.75			\$8.85		
Over 35 Ccf	\$12.87			\$12.89			\$12.95			\$13.00			\$13.10		
Other Classes: Base Rates															
Multifamily *	\$3.72			\$3.82			\$3.90			\$3.97			\$4.04		
Mobile Home Parks w/sub-meters *	\$2.78			\$2.86			\$2.91			\$2.96			\$3.02		
Commercial	\$3.57			\$3.66			\$3.72			\$3.79			\$3.86		
Community Garden*	\$2.78			\$2.86			\$2.92			\$2.97			\$3.02		
Industrial	\$3.65			\$3.66			\$3.72			\$3.79			\$3.86		
Construction *	\$4.18			\$4.62			\$4.70			\$4.79			\$4.87		
Tier Rates (Summer Only: Mar - Nov)**															
Tier 1	\$1.19			\$1.22			\$1.24			\$1.26			\$1.28		
Tier 2	\$0.31			\$0.32			\$0.32			\$0.33			\$0.33		
Reclaimed Std Usage Rate *		\$2.51		\$2.60			\$2.69			\$2.79			\$2.88		
Per Acre-Foot		\$1,094.00		\$1,134.00			\$1,173.00			\$1,215.00			\$1,257.00		
CAP Charge ***	\$1.25			\$1.25			\$1.25			\$1.25			\$1.25		
Conservation Charge	\$ 0.15			\$0.15			\$0.15			\$0.15			\$0.15		

* Uniform rate year-round; not subject to summer tier rates

**Applicable for Commercial and Industrial classes only.

*** Assessed to potable customers only.

Tucson Water Proposed Rates FY2027-2030: Smoothing Model with Reclaimed Increase, 3.5% Rate Adjustments, Outside City

Rate Component/Class	Differential	2026			2027			2028			2029			2030		
		Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler	Potable	Reclaimed	Fire Sprinkler
Service Charge	Approx. Revenue from Fixed Charge			28%			30%			31%			32%			33%
<u>Meter Size</u>																
5/8"	19%	\$ 22.87	\$ 13.56	\$ -	\$24.58	\$ 14.28		\$25.99	\$14.78		\$27.53	\$15.30		\$29.13	\$15.83	
3/4"	19%	\$ 31.18	\$ -	\$ -	\$33.45	\$ 18.55		\$35.38	\$19.20		\$37.47	\$19.87		\$39.65	\$20.56	
1"	19%	\$ 47.78	\$ 24.96	\$ -	\$51.20	\$ 27.09		\$54.14	\$28.03		\$57.35	\$29.02		\$60.69	\$30.03	
1.5"	19%	\$ 89.30	\$ 43.95	\$ -	\$95.56	\$ 48.43		\$101.06	\$50.13		\$107.05	\$51.88		\$113.28	\$53.70	
2"	19%	\$ 139.13	\$ 66.74	\$ 18.50	\$148.80	\$ 74.05	\$19.10	\$157.37	\$76.64	\$19.64	\$166.68	\$79.32	\$20.20	\$176.39	\$82.10	\$20.81
2.5"	19%	\$ 205.55	\$ 97.14	\$ -	\$219.79	\$ 108.20	\$25.77	\$232.44	\$111.99	\$26.50	\$246.20	\$115.91	\$27.27	\$260.54	\$119.97	\$28.08
3"	19%	\$ 271.98	\$ 127.53	\$ 31.49	\$290.78	\$ 142.36	\$32.45	\$307.51	\$147.34	\$33.37	\$325.72	\$152.50	\$34.33	\$344.69	\$157.83	\$35.36
4"	19%	\$ 462.95	\$ 214.90	\$ 49.67	\$494.87	\$ 240.55	\$51.65	\$523.35	\$248.97	\$53.11	\$554.33	\$257.68	\$54.65	\$586.62	\$266.70	\$56.28
6"	19%	\$ 941.24	\$ 433.71	\$ 96.43	\$1,005.97	\$ 486.46	\$99.73	\$1,063.87	\$503.49	\$102.55	\$1,126.85	\$521.11	\$105.52	\$1,192.49	\$539.35	\$108.66
8"	19%	\$ 1,417.86	\$ 651.76	\$143.19	\$1,515.30	\$ 731.52	\$147.64	\$1,602.52	\$757.13	\$151.82	\$1,697.39	\$783.62	\$156.21	\$1,796.25	\$811.05	\$160.87
10"	19%	\$ 2,165.18	\$ 993.65	\$217.22	\$2,313.91	\$ 1,115.76	\$222.77	\$2,447.09	\$1,154.81	\$229.08	\$2,591.96	\$1,195.23	\$235.69	\$2,742.92	\$1,237.06	\$242.73
12"	19%	\$ 3,576.77	\$ 1,639.45	\$354.90	\$3,822.38	\$ 1,841.54	\$364.67	\$4,042.39	\$1,906.00	\$375.00	\$4,281.70	\$1,972.71	\$385.83	\$4,531.08	\$2,041.75	\$397.34
Usage Charge (Per Ccf)																
<u>Residential (Single Family) Block Rates</u>																
1-7 Ccf	19%	\$ 2.76			\$2.77			\$2.86			\$2.94			\$3.02		
8-15 Ccf	19%	\$ 5.06			\$5.07			\$5.24			\$5.38			\$5.53		
16-30 Ccf	19%	\$ 10.18			\$10.20			\$10.35			\$10.41			\$10.53		
Over 30 Ccf	19%	\$ 15.31			\$15.34			\$15.41			\$15.47			\$15.59		
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Over 35 Ccf	19%	\$ 15.31			\$15.34			\$15.41			\$15.47			\$15.59		
<u>Other Classes: Base Rates</u>																
Multifamily *	19%	\$ 4.43			\$4.55			\$4.64			\$4.72			\$4.80		
Mobile Home Parks w/sub-meters *	19%	\$ 3.31			\$3.40			\$3.47			\$3.53			\$3.59		
Commercial	19%	\$ 4.25			\$4.35			\$4.43			\$4.51			\$4.59		
Community Garden*	19%	\$ 3.31			\$3.41			\$3.47			\$3.53			\$3.59		
Industrial	19%	\$ 4.34			\$4.35			\$4.43			\$4.51			\$4.59		
Construction *	19%	\$ 4.97			\$5.49			\$5.60			\$5.70			\$5.80		
<u>Tier Rates (Summer Only: Mar - Nov)**</u>																
Tier 1	19%	\$ 1.42			\$1.45			\$1.48			\$1.50			\$1.53		
Tier 2	19%	\$ 0.37			\$0.38			\$0.38			\$0.39			\$0.40		
Reclaimed Std Usage Rate *			\$2.51			\$2.60			\$2.69			\$2.79			\$2.88	
Per Acre-Foot			\$1,094.00			\$1,134.00			\$1,173.00			\$1,215.00			\$1,257.00	
CAP Charge ***		\$ 1.25			\$1.25			\$1.25			\$1.25			\$1.25		
Conservation Charge		\$ 0.15			\$0.15			\$0.15			\$0.15			\$0.15		

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