



CITIZENS' WATER ADVISORY COMMITTEE (CWAC)
Finance Subcommittee

Thursday, September 17, 2026, 2:00 p.m.

Hybrid Meeting – Microsoft Teams

Legal Action Report and Meeting Minutes

1. **Call to Order -**

Chair Washburn called the meeting to order at 2:04 p.m.

2. **Roll Call** – Those present and absent were:

Present:

Steven Washburn, Chair

Robert Jaramillo

Alan Forrest

Representative, City Manager

Representative, Ward 5

Representative, City Manager

Absent:

3. **Announcements** – None.

4. **Review & Approval of May 21, 2026, Legal Action Report and Meeting Minutes** – Member Forrest moved to approve the Legal Action Report and Meeting Minutes; Member Jaramillo duly seconded the motion. The motion passed on a voice vote of 3 – 0.

5. **FY26 Year-End Review Prelim & Unaudited**- Colin Jones, Tucson Water Administrator, presented the FY26 year-end financial review. a preliminary, unaudited look at Tucson Water’s operating revenues, revenue trends, financial reserves, and anticipated Central Arizona Project (CAP) costs. Overall, the utility ended FY26 in a stable financial position, with service revenues performing close to budget, improving unrestricted reserves compared with FY25, and cash reserves remaining above the City’s minimum policy target. FY26 results indicate that Tucson Water remains financially stable, with core service revenues essentially meeting expectations and reserves above policy requirements. The areas to continue watching are future reserve levels, capital expenditures, development-dependent revenues, and CAP costs, particularly as Colorado River allocations and associated expenses change. Year-End Review Prelim & Unaudited. Key points highlighted were:

- Operating revenue continues to grow. Charges for services increased from

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tucsonaz.gov/water



approximately \$236.5 million in FY23 to \$292.1 million in preliminary FY26, driven primarily by potable water revenue and the Water Supply Fee. FY26 Year End Review

- Potable water remains the primary revenue source. Preliminary FY26 potable revenue was approximately \$217.9 million, representing about 74.6% of charges-for-services revenue. FY26 Year-End Review
- Water Supply Fee revenue has become a larger share of the revenue portfolio. Revenue increased from approximately \$29.2 million in FY23 to \$45.7 million in preliminary FY26, increasing from about 12.4% to 15.6% of service revenues. FY26 Year End Review
- Potable revenue totaled approximately \$268.4 million in FY26. Variable revenue remained the largest component at about 54.5%, fixed revenue accounted for approximately 28.3%, and the Water Supply Fee represented approximately 17.2%. FY26 Year End Review
- Reclaimed water revenue also increased, reaching approximately \$13.5 million in preliminary FY26, with roughly 95% generated through variable usage charges. FY26 Year End Review
- Overall revenues finished slightly below budget. Total revenues were less than 2% below the adopted budget; however, charges for services were approximately \$278 million and essentially on target. FY26 Year End Review
- Several revenue categories are inherently difficult to forecast. System Equity Fees, CAP Water Resource Fees, and isolated-system fees depend heavily on development activity and regional agreements, resulting in potentially significant year-to-year variation. Grant revenue also came in below budget primarily because of project timing. FY26 Year End Review
- Investment income exceeded conservative budget assumptions, although approximately \$3.5 million may ultimately be reclassified as part of year-end accounting. Interest income was lower than the prior year, consistent with having less cash available for investment. FY26 Year End Review
- FY26 unrestricted fund balance improved to approximately \$41.9 million, compared with about \$29.6 million in FY25. Preliminary FY26 cash on hand equaled approximately 149 days of operating and infrastructure costs, remaining above the policy minimum of 120 days. FY26 Year End Review
- The FY27 adopted budget projects unrestricted reserves declining to approximately \$26.5 million, or 129 days of cash on hand. While still above the

120-day policy threshold, the projection reinforces the importance of continuing to monitor capital spending, debt issuance, operating performance, rate adjustments, and other external factors. FY26 Year End Review - CWAC Fin...
FY26 Year End Review

- CAP costs remain an important financial consideration for FY27. The current projection is approximately \$39.16 million, compared with the Financial Plan assumption of approximately \$42.52 million. If Tucson received its full 144,191 acre-foot CAP allocation, the estimated expense would increase to approximately \$51.85 million. The lower current projection reflects the reduced allocation and finalized CY27 rates, including the CY26 rate reconciliation

No Action was taken on this item.

6. **Call to Audience** – Mark Day said to keep up the good work.
7. **Future Agenda items** – Potentially rescheduling the October meeting to the quarterly meeting on November 19, 2026. Future agenda items include consumption trends, FY28-31 CIP, and FY28 O & M Budget.
8. **Adjournment** – The meeting was adjourned at 2:58 p.m.