# Don’t Hold Your Breath: Why Water and Wastewater Rates in Arizona Aren’t Falling Anytime Soon

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It’s hard to miss the recent headlines:
*“Chandler residents face double-digit water rate increase.”*
*“Gilbert approves water rate hike of 25%.”*
*“A retirement community is fighting rate increases of 128% and 188% at the Arizona Corporation Commission.”*

Across Arizona, residents and local governments — cities, towns, and school districts — are confronting an unavoidable financial reality: **water and wastewater costs will continue rising for the foreseeable future.** While many communities hope for relief, shrinking water supplies, mounting infrastructure demands, and rising operational expenses mean downward pressure on rates is unlikely.

Here’s what’s driving the trend.

1. **Shrinking Colorado River Supplies Are Reshaping Water Economics**

Arizona depends heavily on the Colorado River, with roughly 36% of its water coming from this once-reliable source. But flows are declining, negotiations to renew water-sharing agreements beyond **October 1, 2026** remain unresolved, and federal evaluations include scenarios that could cut Arizona’s allocation by more than half.

As this supply shrinks, communities must invest in alternative water sources: groundwater, long-term storage credits, new wells, or advanced purification technologies. These replacements require substantial capital. While many municipalities maintain healthy water and wastewater

enterprise fund reserves, these balances are not adequate to cover both water-portfolio diversification and even modest capital improvement programs.

Some municipalities are already adjusting. Scottsdale and Gilbert have proposed or enacted significant rate increases tied directly to uncertainty around Colorado River allocations. Scottsdale's February 2026 proposal dedicates 1% of its increase solely to securing alternative water sources. Gilbert has approved three consecutive rate hikes—25%, 25%, and 48%—to reduce dependence on river water and fund new wells and treatment-plant upgrades.

These supply-driven expenses are **not** temporary. They represent a long-term rebalancing of Arizona's water future.

2. **Water and Wastewater Infrastructure Is Aging AND Expensive to Maintain**

Arizona utilities are grappling with the rising costs of maintaining and upgrading extensive water and wastewater infrastructure. City of Glendale expects to invest more than **$418 million** over the next five years to rehabilitate aging systems, comply with new regulations, and maintain reliable service, which directly puts pressure on user rates. Town of Gilbert is investing **more than $470 million** to rebuild one of its primary water-treatment plants and is financing the project through revenue bonds. The required debt repayment is a key driver behind its recent and upcoming rate increases.

At the state level, the Arizona Corporation Commission has highlighted that **over 50 small, rural water utilities** have not raised rates in more than two decades. These systems now face severe "rate shock" as they attempt to catch up with inflation, outdated infrastructure, and years of deferred maintenance.

In short: utilities statewide have reached the point where **deferral is no longer viable.** Capital maintenance, system expansion, and rehabilitation require funding; in most cases, that funding must come from higher user charges.

3. **Operational Costs Are Rising Across the Board**

Beyond supply challenges and infrastructure needs, routine utility operations have become more expensive. City of Chandler's recent 15% water and wastewater rate increases—effective March 2026—stem from elevated operating costs and higher debt service related to capital improvements. City of Tempe has implemented double-digit rate hikes **twice** in the past year due to operational costs exceeding estimates.

Energy costs are also a major contributor. Water treatment and delivery are electricity-intensive processes, and utilities have reported significant increases in APS and SRP energy charges. Cities including Scottsdale, Chandler, and Mesa cite electricity and chemical costs as major factors in their rate-setting decisions.

As long as these operational inputs remain volatile or continue to rise, **water and wastewater rates will follow suit.**

**Bottom Line**

Water and wastewater costs across Arizona are rising—and will continue to rise—due to shrinking supplies, infrastructure modernization needs, rising operational expenses, and long-term water-security planning. For local governments, the path forward will require transparent communication with residents, steady financial planning, and investment in conservation and efficiency technologies to manage an increasingly complex and costly future.