

CITY COUNCIL REPORT



Meeting Date: June 10, 2025
Charter Provision: ***Provide for the orderly government and administration of the affairs of the City***
Objective: ***Adopt Budgets***

ACTION*

Public Hearing on the Proposed FY 2025/26 Property Tax Levy

- 1) SOLICIT public testimony on the proposed fiscal year 2025/26 property tax levy, and
- 2) By a roll call vote, approve a motion to levy the proposed property taxes, taxes to be assessed by ordinance on June 24, 2025.

BACKGROUND

The Arizona State Constitution and State law specify a two-tiered property tax system. The system consists of two levies, a primary property tax levy and a secondary property tax levy. The primary property tax levy is imposed by cities and towns for all general municipal purposes, while the secondary tax levy is only used to retire the principal and interest or redemption charges on bond indebtedness.

Per Arizona Revised Statutes (A.R.S.) § 42-17104, a public hearing on any tax levy must be held at least 14 days prior to the actual levy of the tax. In addition, pursuant to A.R.S. § 42-17107 and the City Charter, if the proposed primary property tax levy (excluding growth) exceeds the prior year's primary property tax levy, a Truth In Taxation (TNT) hearing with more stringent guidelines would substitute for the regular property tax hearing. Since the FY 2025/26 proposed primary property tax levy (excluding growth) exceeds the FY 2024/25 primary property tax levy, a TNT hearing and regular property tax hearing is required.

Primary Property Tax Levy (General Fund and Risk Management Fund revenue) – Rate expected to decrease:

The FY 2025/26 proposed primary property tax levy will be used to support General Fund activities

such as police and fire protection, operation and maintenance of parks and libraries, and other general governmental functions. The primary property tax levy also includes a repayment to the Risk Management Fund reserve of \$678,687 for tort liability claim payments made during calendar year 2024.

For FY 2025/26, the city's total proposed primary property tax levy of \$40.69 million is an increase of \$1.05 million over the current fiscal year levy of \$39.64 million. The increase is due to the two percent statutory adjustment, partially offset by the decreased tort liability claim payment. The current primary property tax rate of \$0.4958 is projected to decrease by \$0.0067 to \$0.4891 per \$100 of assessed valuation in FY 2025/26.

Additionally, as required by A.R.S. § 42-17103 related to Final Budget Adoption (including Proposed Tax Levies), the city will publish estimates of FY 2025/26 revenues and expenses, a Public Hearing Notice, and Truth in Taxation regarding the tax levies in the Arizona Republic once a week for two consecutive weeks on Tuesday, May 27, 2025 and Tuesday, June 3, 2025.

Secondary Property Tax Levy (GO Bond Debt Repayment) – Rate expected to decrease:

Under state law, cities and towns are allowed to levy a secondary property tax for the sole purpose of retiring the principal and interest or redemption charges on general obligation bonded indebtedness. A city or town may levy whatever amount of secondary property taxes is necessary to pay general obligation debt service (and fees related to the debt issuances). Secondary property tax is subject to limitation by the Arizona Constitution.

For FY 2025/26, the city's proposed secondary property tax levy is forecasted to increase \$0.01 million from the FY 2024/25 adopted budget of \$34.84 million to \$34.85 million due to increased debt service payments. However, due to increased assessed property values, the current secondary property tax rate of \$0.4358 is expected to decrease by \$0.0125 to \$0.4233 per \$100 of assessed valuation in FY 2025/26.

The FY 2025/26 Secondary Property Tax levy was calculated to ensure the reserve meets the required limitation prescribed in A.R.S. § 35-458(A) – that the levy be net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in the fund or funds prescribed by A.R.S. § 35-458(B).

Combined Property Tax Levy and Taxpayer Impact:

The combined property tax levy is the aggregate of the primary and secondary levies. For FY 2025/26, the city's total proposed combined property tax levy is forecasted to increase over the current year by approximately \$1.06 million from \$74.48 million in FY 2024/25 to \$75.54 million in FY 2025/26.

In FY 2025/26, citizen tax bills will reflect an estimated combined property tax rate of \$0.9124, which is \$0.0192 less than the FY 2024/25 combined rate of \$0.9316. The management of the combined property tax rate is included in the city's adopted financial policies for debt management,

which states that the combined tax rate will not exceed \$1.50 per \$100 of assessed value. Based on this combined rate, an owner of a home with a County Assessor's real property assessed value of \$100,000 will pay approximately \$91.24 in city property taxes, applying the proposed combined property tax rate. The Maricopa County Assessor's Office, not the City of Scottsdale, determines real property assessed values used to calculate property tax bills.

About \$0.13 of every dollar in property taxes paid by Scottsdale property owners goes to city government and city General Obligation debt repayment. The remaining \$0.87 of every dollar in property taxes paid by Scottsdale property owners goes to public schools, Maricopa County, community colleges and various special districts.

RESOURCE IMPACTS

For FY 2025/26, the proposed combined property tax rate is estimated at up to \$0.9124 and the combined levy of up to approximately \$75.54 million is detailed by tax tier and fund below:

Tax Tier	Estimated Tax Rate	General Fund*	Risk Management Fund*	Debt Service Fund*	Total Property Tax Levy*
Primary	\$0.4891	\$40.01M	\$0.68M	-	\$40.69M
Secondary	\$0.4233	-	-	\$34.85M	\$34.85M
Combined	\$0.9124	\$40.01M	\$0.68M	\$34.85M	\$75.54M

For comparison, the current FY 2024/25 property tax rate and levy and the FY 2025/26 proposed property tax rate and levy are below:

Tax Tier	FY 24/25 Tax Rate	FY 24/25 Tax Levy*	FY 25/26 Est. Tax Rate	FY 25/26 Est. Tax Levy*	Change in Levy
Primary	\$0.4958	\$39.64M	\$0.4891	\$40.69M	2.64%
Secondary	\$0.4358	\$34.84M	\$0.4233	\$34.85M	0.03%
Combined	\$0.9316	\$74.48M	\$0.9124	\$75.54M	1.42%

*Note: \$ in millions; rounding differences may occur.