

CITY COUNCIL REPORT



Meeting Date: June 09, 2026
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 2026/27 Property Tax Levy

- 1) SOLICIT public testimony on the proposed fiscal year 2026/27 property tax levy; and
- 2) By a roll call vote, approve a motion to levy the proposed property taxes, with taxes to be assessed by ordinance on June 23, 2026.

BACKGROUND

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

Pursuant to 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 substitutes for the regular property tax hearing. Since the FY 2026/27 proposed primary property tax levy (excluding growth) exceeds the FY 2025/26 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 2026/27 proposed primary property tax levy will 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 \$568,735 for tort liability claim payments made during calendar year 2025.

For FY 2026/27, the city's total proposed primary property tax levy of \$41.29 million is an increase of \$1.02 million over the current fiscal year levy of \$40.27 million. The increase is due to the two-percent statutory adjustment, partially offset by the decreased tort liability claim payment compared to FY 2025/26. The current primary property tax rate of \$0.4891 is projected to decrease by \$0.0090 to \$0.4801 per \$100 of assessed valuation in FY 2026/27, consistent with the public notice.

As required by A.R.S. § 42-17103 related to final budget adoption (including proposed tax levies), the City published estimates of FY 2026/27 revenues and expenses, a Public Hearing Notice, and Truth in Taxation information in the Arizona Republic once a week for two consecutive weeks on Saturday, May 23, 2026 and Saturday, May 30, 2026.

Additionally, as required by A.R.S. § 9-499.15, the city posted and filed with the City Clerk notice of the proposed tax levy increase with the schedule of the proposed increase and a written report supporting the proposed increase by April 24, 2026, which is 60 days before City Council will consider whether to adopt the ordinance fixing the levy (scheduled for June 23, 2026).

Secondary Property Tax Levy (GO Bond Debt Repayment) – Rate Expected to Increase:

Under state law, cities and towns may 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 limitations under the Arizona Constitution related to bonded indebtedness.

For FY 2026/27, the City's proposed secondary property tax levy is forecast to increase by \$1.85 million, from \$34.85 million in FY 2025/26 to \$36.70 million, due to increased debt service payments. However, due to increases in net assessed limited property values, the current secondary property tax rate of \$0.4233 is expected to increase by \$0.0034 to \$0.4267 per \$100 of assessed valuation in FY 2026/27.

The FY 2026/27 secondary property tax levy was calculated to ensure the reserve meets the limitation prescribed in A.R.S. § 35-458(A), requiring 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 2026/27, the City's total proposed combined property tax levy is forecast to increase by approximately \$2.87 million, from \$75.12 million in FY 2025/26 to \$77.99 million in FY 2026/27.

In FY 2026/27, property owners’ tax bills will reflect an estimated combined property tax rate of \$0.9068, which is \$0.0056 less than the FY 2025/26 combined rate of \$0.9124. Management of the combined property tax rate is included in the City’s adopted financial policies for debt management, which state that the combined tax rate will not exceed \$1.50 per \$100 of assessed value.

Based on the proposed combined rate, an owner of a home with a County Assessor’s real property assessed value of \$100,000 will pay approximately \$90.68 in City property taxes. 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 goes to public schools, Maricopa County, community colleges, and various special districts.

RESOURCE IMPACTS

For FY 2026/27, the proposed combined property tax rate is estimated at up to \$0.9068, and the combined levy of up to approximately \$77.99 million is detailed by tax tier and fund below:

Property Tax Levy Summary (in millions)

Tax Tier	Estimated Tax Rate	General Fund*	Risk Management Fund*	Debt Service Fund*	Total Property Tax Levy*
Primary	\$0.4801	\$40.72M	\$0.57M	-	\$41.29M
Secondary	\$0.4267	-	-	\$36.70M	\$36.70M
Combined	\$0.9068	\$40.72M	\$0.57M	\$36.70M	\$77.99M

For comparison, the current FY 2025/26 property tax rate and levy and the FY 2026/27 proposed property tax rate and levy are below:

Tax Tier	FY 25/26 Tax Rate	FY 25/26 Tax Levy*	FY 26/27 Est. Tax Rate	FY 26/27 Est. Tax Levy*	Change in Levy
Primary	\$0.4891	\$40.27M	\$0.4801	\$41.29M	2.54%
Secondary	\$0.4233	\$34.85M	\$0.4267	\$36.70M	5.30%
Combined	\$0.9124	\$75.12M	\$0.9068	\$77.99M	3.82%

* Note: This is a preliminary report for A.R.S. § 9-499.15 posting purposes only and may be updated for the final City Council Report in advance of the June 23, 2026, City Council meeting.

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