

MEMORANDUM

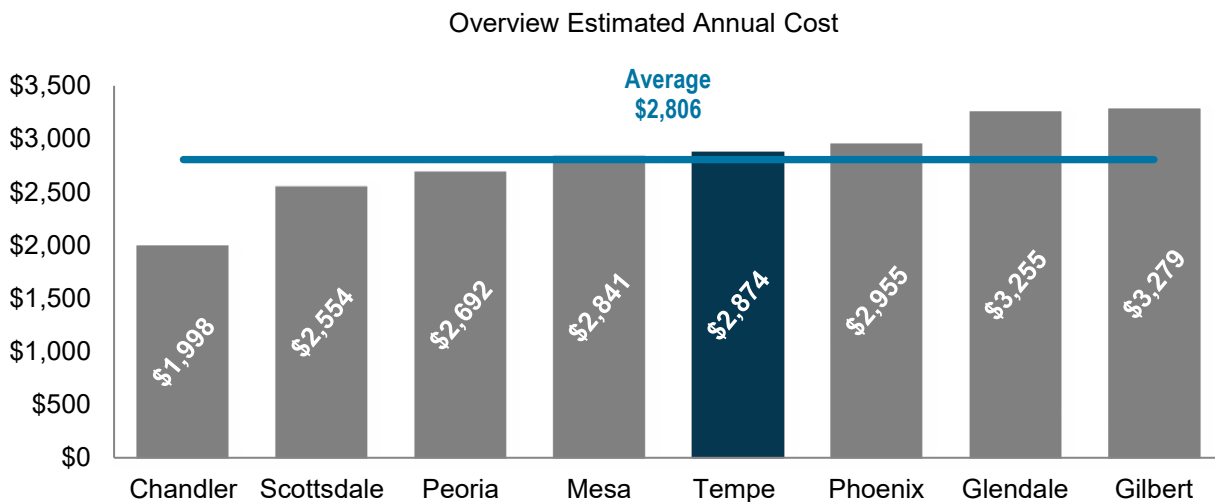


TO: Mayor and Council
FROM: Marian Le, Municipal Budget & Financial Analyst Senior
THROUGH: Robert Baer, Municipal Budget Director
DATE: June 26, 2026
SUBJECT: 2026 Comparative Cost of Services Report

Each year the Municipal Budget Office performs an analysis of the estimated annual amounts paid by the typical residential Tempe household for direct services provided by the City of Tempe as well as the estimated total annual amount paid in City of Tempe property and transaction privilege (sales) taxes. These amounts are then compared to the estimated annual amounts paid by the same typical residential household in seven comparison cities in the Phoenix metropolitan area.

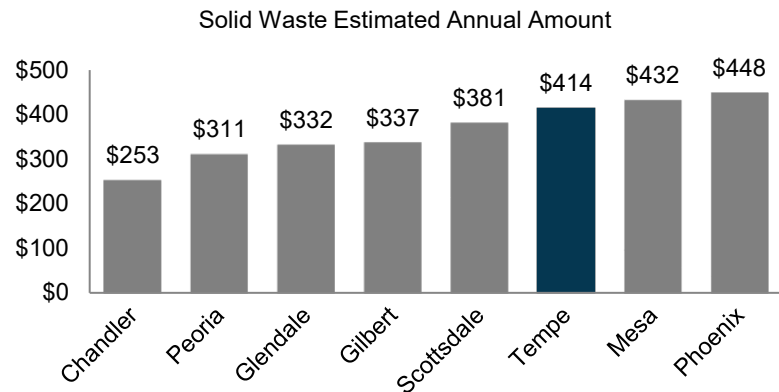
For purposes of this comparison, we utilized the property tax, sales tax, and utility service rates as of June 2026. The analysis assumed the same household consumption amounts for all cities for both water and wastewater services. However, for property tax purposes, we utilized the median single-family home value in each respective city in the analysis. The sales tax amounts are based on the Phoenix metropolitan area median household income. As such, this analysis is intended to reflect what the typical residential household would pay for each of the services or pay in taxes in their respective city. The overview figure below portrays the average annual household cost for property tax, sales tax, water, wastewater, and solid waste services in seven comparison cities.

Overview



Solid Waste

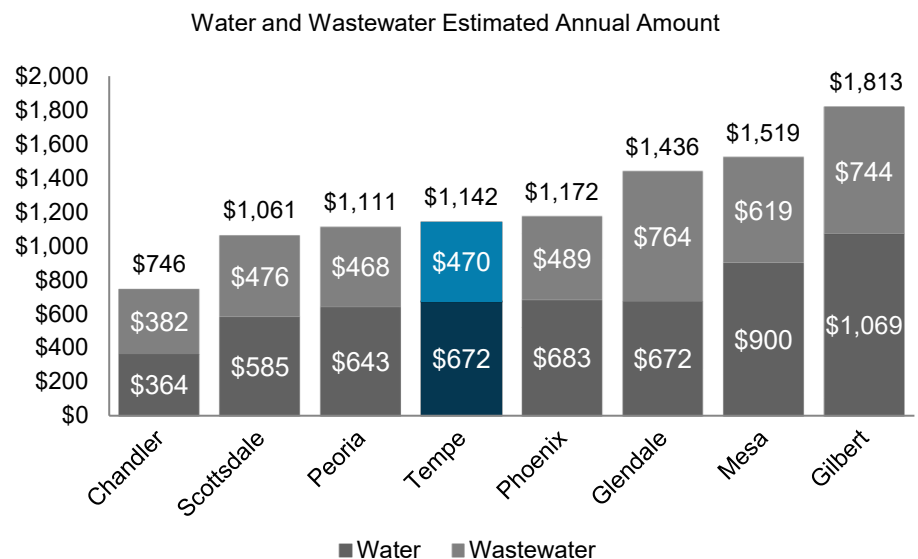
The annual amount for single family residential solid waste services is estimated at \$414 for the City of Tempe. The amounts noted are based on a residential customer with a once per week collection, based on the rates as of June 2026.



Water and Wastewater

The annual total amount for water and wastewater services for a single-family residential customer in the City of Tempe is estimated at \$1,142. The annual water charge is based on a typical single family residential monthly water consumption of 10,000 gallons. This consumption amount was applied to each respective city's water rates as of June 2026 to derive the annual water costs.

The billable gallons of wastewater are derived from a typical residential three-month winter average water consumption of 10,000 gallons (January – March billing statements), and then multiplied by a rate of return. For example, Tempe's rate of return is 80%. When multiplied by 10,000 gallons, the result is 8,000 billable wastewater gallons per month. It is assumed that the typical water consumption is applicable to the other cities. As such, this consumption was applied to each respective city's rate of return as of June 2026 to derive the annual wastewater costs.



City Sales Tax

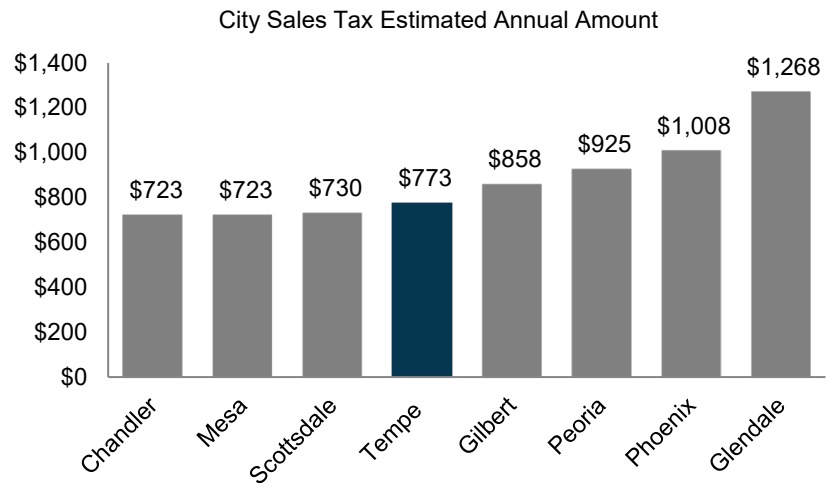
The annual amount that the typical Tempe residential household will pay in City of Tempe sales tax is estimated to be \$773 for 2026.

For this analysis, we utilized the Phoenix metropolitan area median household income of \$85,246 per the U.S. Census Bureau, American Community Survey. As median incomes can vary between the cities, the Phoenix metropolitan area median household income was utilized so that a direct comparison could be made between cities. The portion of this income that was spent on taxable purchases is estimated at 50% (\$42,924), as noted in the latest Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics (2024). We assumed that the portion of the median income spent on taxable purchases was spent within the household's city of residence and applied to each city's applicable sales tax rate.

City Sales Tax (Continue)

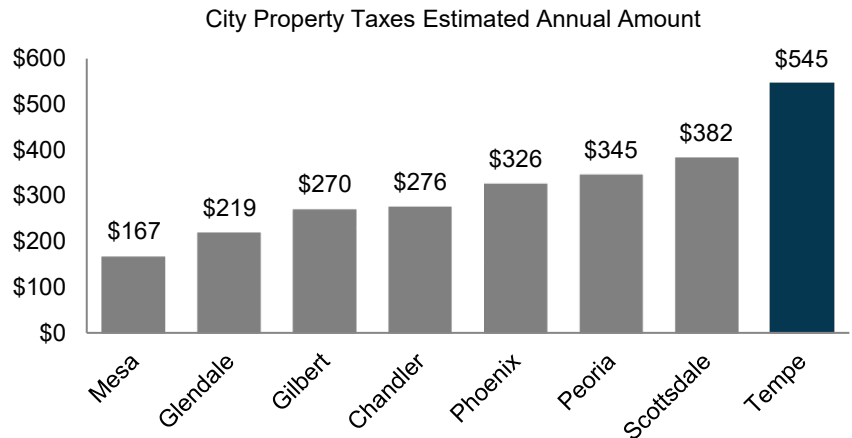
Please note that many of the comparison cities in the analysis utilize different tax rates for various taxable activities. For example, the City of Glendale has an overall sales tax rate of 2.9%; however, sales at restaurants and bars are taxed at 3.9%. These variances were considered when calculating the annual amount of sales taxes paid.

Effective January 1, 2025, Arizona cities and towns are prohibited from taxing residential rental activities, and this tax has been removed from the calculation.



City Property Taxes

The annual estimated City of Tempe property tax amount is \$545. The property tax amounts shown are based on each city's FY 2026-27 primary and secondary rates and each city's 2026 Limited Property Value (LPV) for the median single-family home.



The 2026 median single family LPV for each city, per the Maricopa County Assessor, is as follows:

Glendale	\$157,445	Peoria	\$239,386
Phoenix	\$159,965	Chandler	\$256,809
Mesa	\$196,555	Gilbert	\$275,971
Tempe	\$212,756	Scottsdale	\$421,283

Arizona cities can levy two property taxes, a primary property tax and a secondary property tax. The primary property tax supports general public services. The secondary property tax pay for debt related to voter-approved general obligation bonds. City of Mesa and Town of Gilbert only levy a secondary property tax.