

# MEMORANDUM



TO: Mayor and Council  
FROM: Carrie Taylor, Municipal Budget & Financial Analyst  
THROUGH: Julie Hietter, Interim Municipal Budget Director  
DATE: July 25, 2025  
SUBJECT: 2025 Comparative Cost of Services Report

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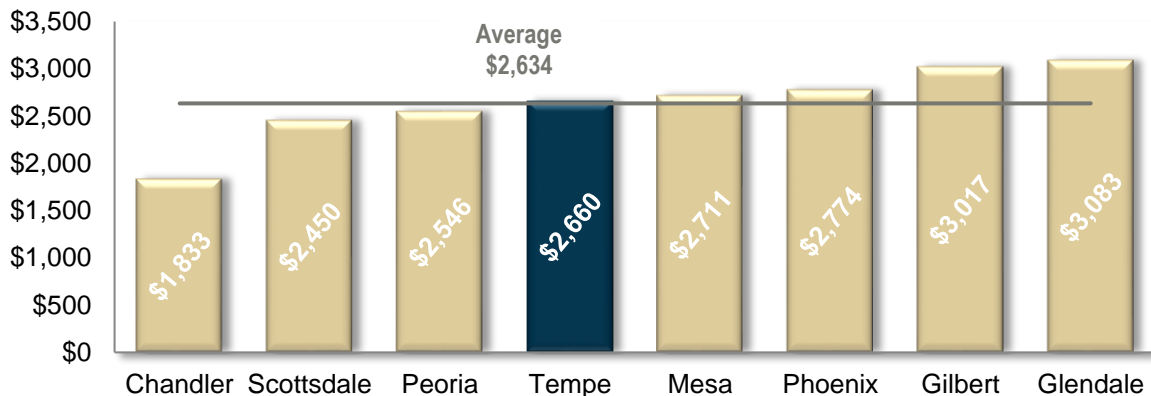
Each year the Municipal Budget Office performs an analysis of the estimated annual amounts paid by the typical residential Tempe household for direct services provided by the City of Tempe as well as the estimated total annual amount paid in City of Tempe property and transaction privilege (sales) taxes. 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 July 2025. 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.

## Overview

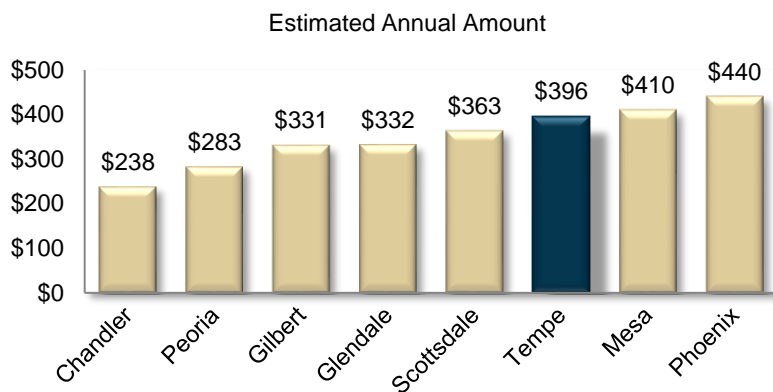
*Average annual household cost for property tax, sales tax, water, wastewater, and solid waste services*

Estimated Annual Cost



## Solid Waste

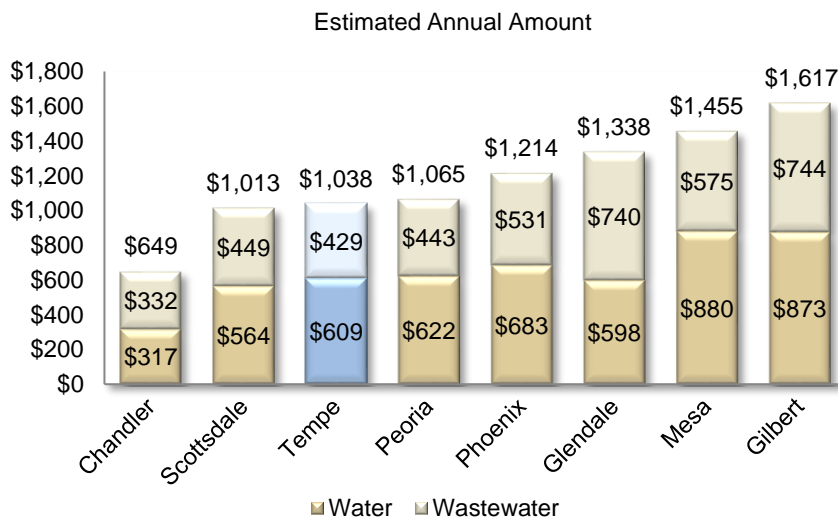
The annual amount for single family residential solid waste services is estimated at \$396 for the City of Tempe. The amounts noted are based on a residential customer with a once per week collection, based on the rates as of July 2025.



## 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 \$1,038. The annual water charge is based on a typical single family residential monthly water consumption of 10,000 gallons. It is assumed that this water consumption amount is applicable to the other cities in the comparison. As such, this consumption amount was applied to each respective city's water rates as of July 2025 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 July 2025 to derive the annual wastewater costs.



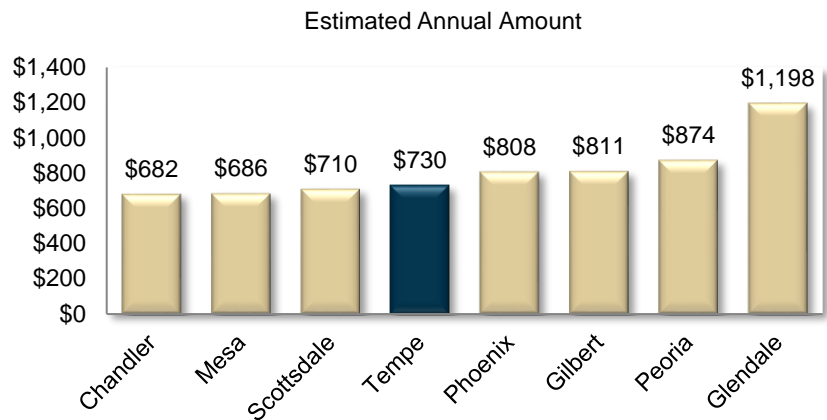
## City Sales Tax

The annual amount that the typical Tempe residential household will pay in City of Tempe sales tax is estimated to be \$730 for 2025.

For this analysis, we utilized the Phoenix metropolitan area median household income of \$79,664 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 51% (\$40,556), as noted in the latest Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics (2023). 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.

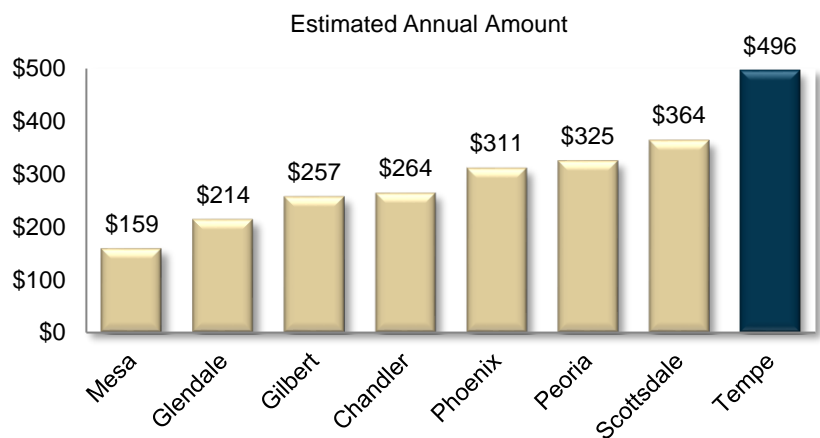
Please note that many of the comparison cities in the analysis utilize different tax rates for various taxable activities. For example, the City of Glendale has an overall sales tax rate of 2.9%; however, sales at restaurants and bars are taxed at 3.9%. These variances were considered when calculating 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 \$496. The property tax amounts shown are based on each city's FY 2025-26 primary and secondary rates and each city's 2025 Limited Property Value (LPV) for the median single-family home.



The 2025 median single family LPV for each city, per the Maricopa County Assessor, is as follows:

Glendale	\$146,935	Peoria	\$225,764
Phoenix	\$149,758	Chandler	\$244,210
Mesa	\$185,691	Gilbert	\$262,640
Tempe	\$201,875	Scottsdale	\$398,851

It should be noted that the City of Mesa and the Town of Gilbert only levy a Secondary Property Tax.