



# MAYOR & COUNCIL COMMUNICATION

May 20, 2025

Subject: Tentative Budget Adoption for Fiscal Year 2026 (FY26) (City Wide)

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Issue – In accordance with the budget adoption schedule, the tentative adoption of the Fiscal Year 2026 (FY26) Budget of the City of Tucson has been scheduled for today.

City Manager's Office Recommendation – Pursuant to the requirements of state law and the City of Tucson Charter, it is recommended that the attached Resolution No. 23918 adopting a tentative budget for Fiscal Year 2026 be passed and adopted.

Background – Attached, for your consideration and approval, is the Fiscal Year 2026 Tentative Budget of \$2,413,121,723. This budget reflects no changes from the revised recommended budget submitted to Mayor and Council on May 6. While discussions leading up to this point have been focused on communicating and clarifying the details of the budget, the significance of the adoption of the Tentative Budget is that it sets the expenditure ceiling for the coming year. The expenditure ceiling does not finalize the allocation of budget capacity between specific programs; however, once the Tentative Budget is adopted, the budget may be reduced but cannot be increased in its total amount.

Legal Requirements – A.R.S. § 42-17101 and A.R.S. §42-17102 together require the City to prepare a full and complete statement of the estimated expenditures and revenues for FY26 using itemized schedules based on forms supplied by the Office of the Auditor General. This information is set forth in Schedules A through G of the attached tentative budget adoption resolution.

The City is proposing the maximum allowable primary property tax rate; an increase of primary property taxes of \$1,293,977 (6.61%), exclusive of new construction. Comparing primary property tax levies between FY26 and FY25, the City will see a total increase of \$1,388,805 in primary property tax revenues. This total increase is the result of the statutory 2% increase in revenue, increases in tort costs, and amounts derived from new construction. This proposed tax increase will cause the City of Tucson's primary property tax rate on a home with an actual value of \$100,000 to increase to \$44.53 from \$43.11 in FY25.

Pursuant to A.R.S. § 42-17107, the City will hold a Truth in Taxation Hearing - Notice of Tax Increase - on June 3, 2025. Notice of this hearing will be published in the *Arizona Daily Star* on May 15 and May 26, 2025.

The City's secondary property tax rate for FY26 will decrease by a total of \$1,457,020 or 5.32%. This decrease is the result of a reduction in the debt service cash reserves to avoid arbitrage, along with general obligation bond debt maturity during FY25. The decrease will cause the City of Tucson's total secondary property taxes on a home with an actual value of \$100,000 to decrease to \$55.10 from \$60.34 in FY25. When combined, the total of the primary and secondary tax rates will decrease to 0.9963 from 1.0345 in FY25.

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A.R.S. § 42-17103(A) and (B) require publication of revenue and expenditure estimates together with a notice that the Mayor and Council will hold a Public Hearing for any taxpayer to speak for or against the proposed expenditures and will then convene a special meeting for the adoption of the Fiscal Year 2026 budget. The legal notice is to be published once a week for two consecutive weeks following the tentative adoption of the budget. A.R.S. § 42-17104(A) requires that not less than fourteen days later the Mayor and Council meet at a designated time and place for the purpose of making property tax levies.

As set forth in Schedule H, June 3, 2025, is the date set for the Public Hearing and Special Meeting to adopt the budget, and June 17, 2025, is the date for setting the property tax levies.

Special Motion - The tentative budget includes \$19,580 for Metropolitan Education Commission (MEC) that should be considered under a separate motion at tonight's regular meeting during the Tentative Budget Adoption agenda item.

Financial Considerations – At today's meeting, the Mayor and Council are requested to adopt the attached resolution, which provides for the following:

1. Tentative adoption of the Fiscal Year 2026 budget as detailed in Schedules A through G.
2. Establishment of June 3, 2025, and June 17, 2025, as the dates for final budget adoption and determination of property tax levies respectively.
3. Direction to staff to publish Schedules A and H in the manner prescribed by statute and the City of Tucson Charter.

**ARS §42-17105(C) requires that after adoption of the Fiscal Year 2026 tentative budget, total appropriations cannot be increased.**

Respectfully submitted,



Timothy M. Thomure, P.E.  
City Manager

TMT:AR:mlf  
Business Services Department

Attachment(s): State Forms: Schedules A through G (same as Schedules A-G to Resolution)  
Schedule H (same as Schedule H to Resolution)  
Resolution