

PHOENIX  
COMMUNITY  
BUDGET  
GUIDE  
2025-2026



BUILDING THE  
**PHOENIX**  
OF TOMORROW

# Contents

**Outlook.** What are the budget's major economic assumptions? What are the most significant cost trends?

2

**City Budget Structure and Sources.** How is the City's funding allocated between operating costs, debt payments, and infrastructure? What are the sources of funding for each?

3

**The Operating Budget.** How do the City's ongoing costs for public safety services like police and fire compare to ongoing costs for community enrichment activities like parks and libraries? Where are the City's unrestricted General Fund resources invested?

4

**General Fund Revenue Sources.** What types of taxes, fees and other revenue sources flow to the City's General Fund? How reliant is the City on state-shared revenue sources like income taxes?

5

**Distribution of Local Sales Tax Dollars.** When you make a purchase, how much of the sales tax goes to the City? Can the City spend that sales tax revenue on any service? Or is some of it set aside for dedicated purposes?

6

**City Budget Process.** How far in advance of the budget year does the budget development process begin? At what stages is the budget presented to the public and to the City Council? How can residents participate in the process?

7



# Outlook

## State and Local Economy

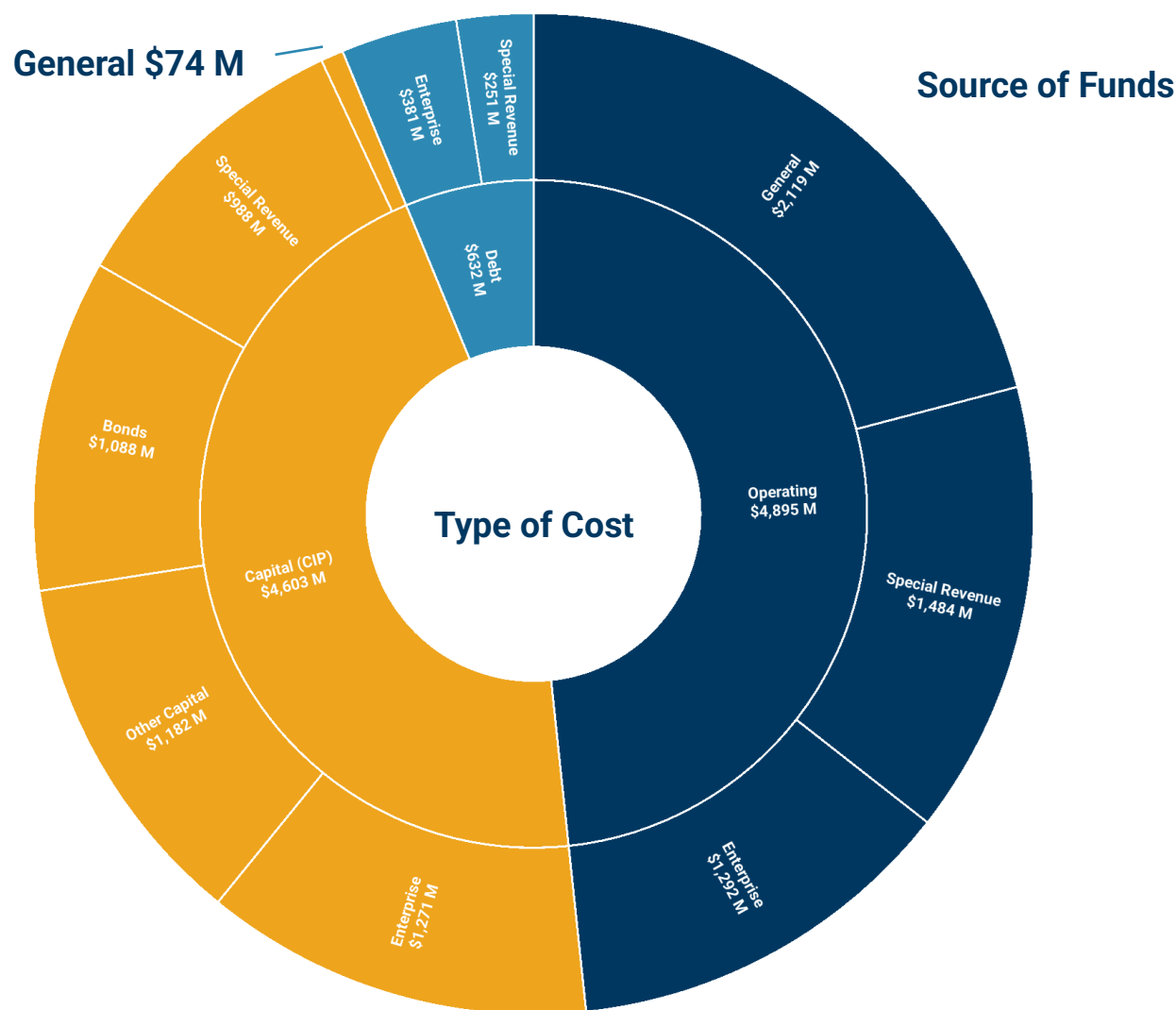
According to the Arizona Governor's Office of Strategic Planning and Budgeting, the state's economy grew by 19.9 percent over the five-year period ending in the third quarter of 2024, ranking Arizona as the fourth fastest growing state during that time. The City of Phoenix continues to be an economic leader in the country due to diverse business and economic opportunities, a strong job market and population growth. City revenue growth in the previous fiscal year was strong despite the onset of geopolitical conflicts, high inflation, elevated interest rates and volatile markets. In 2023-24, General Fund revenues were 12.6 percent higher than 2022-23, primarily due to the increase in state-shared income tax collections (based on actual collections from 2021-22), and strong city and state sales tax revenues. The City benefited from inflationary pressures and a growing economy, resulting in higher tax revenue from increased prices of taxable goods, population growth, and rising wages. However, significant economic uncertainty and a slowdown in sales tax revenue collections in 2024-25 require a cautious approach to forecasting.

## Looking Ahead

The preliminary General Fund Status for 2025-26 reflected a baseline deficit of \$(36) million and the forecast reflected projected shortfalls in 2026-27 of \$(83) million and in 2027-28 of \$(6) million primarily due to the State's actions to eliminate residential rental sales tax in 2023 via Senate Bill (SB) 1131 and to lower the individual income tax rate in 2021 to the flat tax of 2.5 percent (SB 1828). The City is required to adopt a balanced budget and the City Council demonstrated strong leadership on March 18, 2025, to resolve the projected General Fund deficit by approving proposed budget balancing strategies including an increase to the Transaction Privilege Tax (TPT) and Use Tax rate from 2.3 percent to 2.8 percent effective July 1, 2025. The strategies to balance the budget were necessary to preserve existing General Fund programs and services, offset the revenue losses caused by state legislative action, and provide additional resources for critical priorities. The strategies result in a one-time projected 2025-26 General Fund surplus of \$17 million to be set-aside and available in the fund balance if necessary to balance the 2026-27 budget. The City will continue the annual tradition of seeking community input on the proposed 2026-27 spending plan ahead of City Council budget adoption scheduled for June 2026. Residents can learn more about the annual budget process and ways to provide feedback on our website at [phoenix.gov/budget](https://phoenix.gov/budget).



# City Budget Structure & Sources: Operating, Capital and Debt Service



## Operating

Operations and maintenance costs. These include costs like the salaries of police officers and firefighters and costs of repairing City streets.

## Debt Service

Principal and interest payments on bonds issued by the City for projects like water treatment plants.

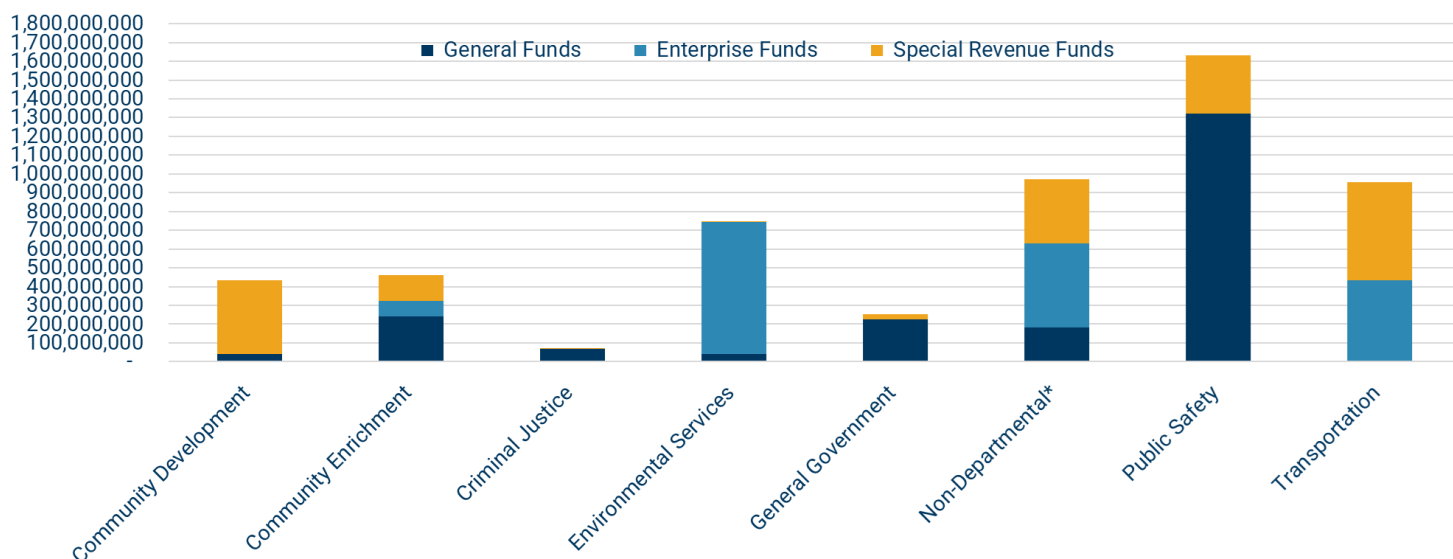
## Capital Improvement Program

Investments in infrastructure and similar assets. The construction of new light rail extensions, for example, is included in the Capital Improvement Program.





# The Operating Expenditure Budget



\* Debt service, contingency funds; net unassigned budgeted vacancy savings

## General Funds

Money from taxes and fees that have an unrestricted use.

## Enterprise Funds

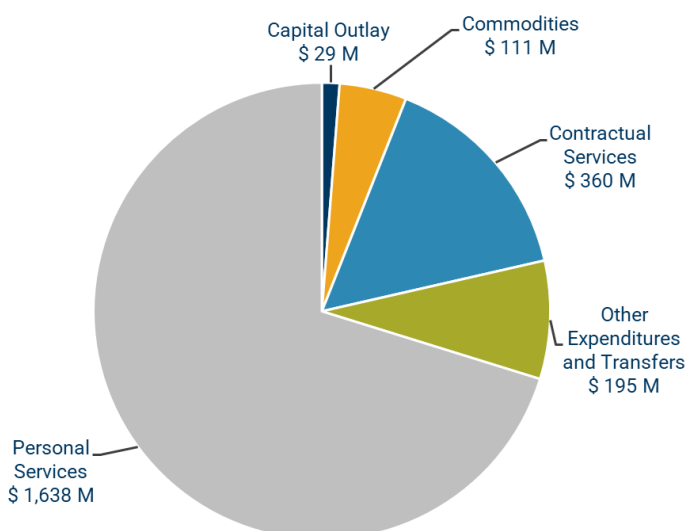
Money generated from fees for goods or services that the City provides, like water and trash pick-up, that operate like a business. This money is only used to offset the City's cost of providing these services.

## Special Revenue Funds

Funds for specific activities that may be governed by state law, provided under grant agreements, or earmarked by voters.

## General Fund by Character

The chart to the left represents the General Fund operating expenditure budget by character of spending, illustrating that expenditures are predominantly related to personal services costs: salaries and benefits of City employees. The costs shown are partially offset by \$212 million in charges out to other funds, making the net General Fund operating budget \$2,119 million.



# General Fund Revenue Sources



## State Shared Revenues \$682 million (35%)

Includes the City's population-based share of state sales taxes, state income taxes, and vehicle license taxes.

## Property Taxes \$223 million (12%)

The primary portion of the City's property tax serves as a General Fund resource.

## Local Taxes & Related Fees \$841 million (43%)

Includes local sales taxes, use taxes on purchases where no sales tax are paid, annual tax license fees, and jail and general excise taxes on municipal service bills.

## User Fees & Other Revenue \$191 million (10%)

Licenses and permits, cable television fees, fines and forfeitures, parks and libraries fees, various cost recovery-based user fees, and miscellaneous General Fund revenue sources.

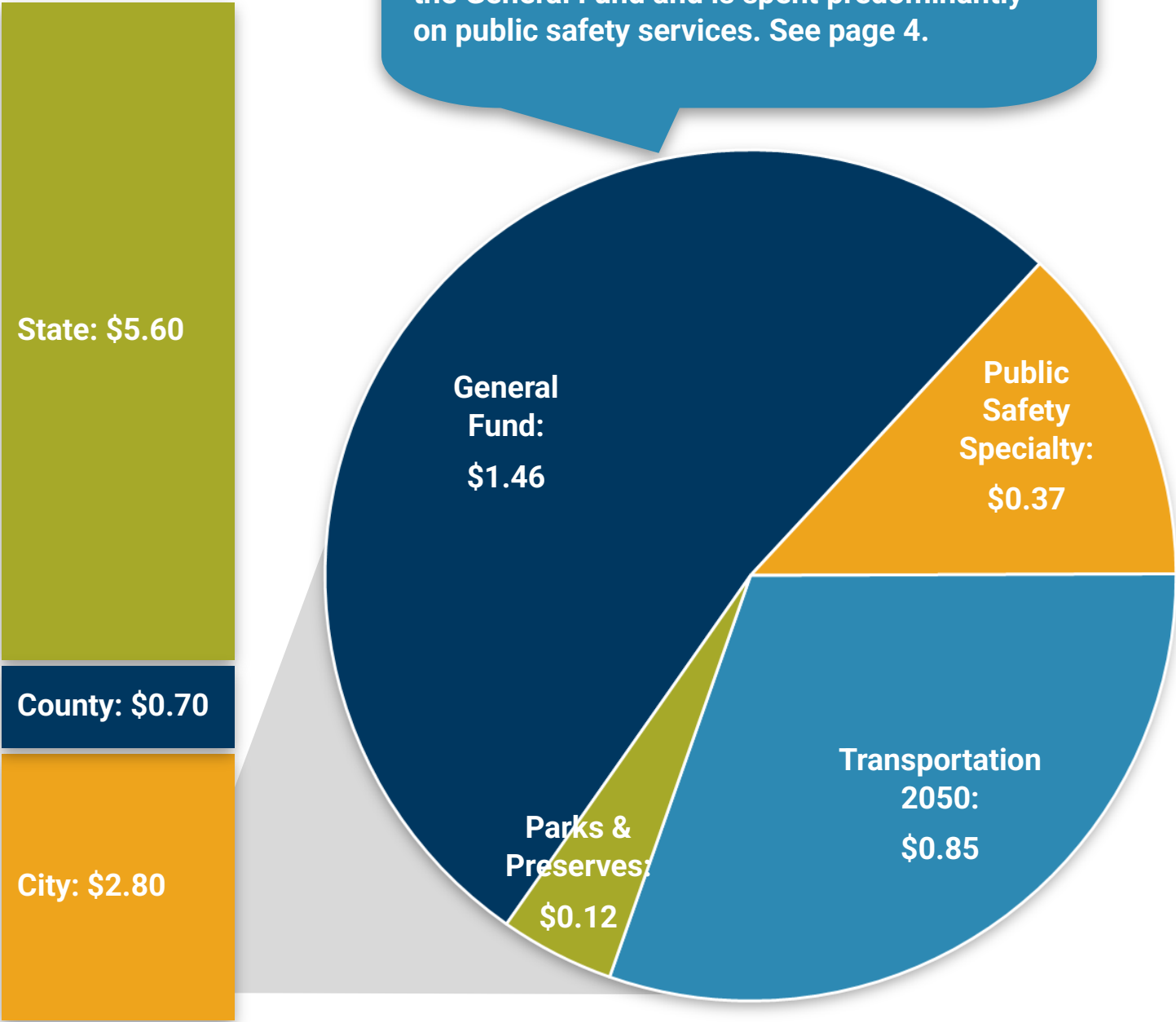


# Distribution of Local Sales Tax Dollars

## Example: \$100 Retail Purchase

**Total Sales Tax:**  
**\$9.10**

While City voters have approved several initiatives to set aside portions of the City's sales tax for specific purposes, most goes to the General Fund and is spent predominantly on public safety services. See page 4.



# City Budget Process

**August — February.** Staff update revenue and expenditure estimates for the current year, prepare baseline budget requests for the coming year that assume current levels of service, and prepare proposed service level changes.

**March.** Staff present the Trial Budget and Preliminary Capital Improvement Program to Council.

**April.** Public budget hearings are held to gather residents' input on the Trial Budget; comments are compiled and reviewed by City management and Council.

**May.** Reflecting public input, staff present the City Manager's Budget to Council; Council reviews the presented budget and provides policy guidance.

**June.** Reflecting Council input, staff present the Tentative and Final budgets to Council, and the 5-year CIP is adopted.

**July.** Council adopts the property tax rates and property tax levies specified in the budget.

This budget process is longer than many other cities' processes to give our residents and the City Council many opportunities to shape the budget. How do residents participate?

At community budget hearings each April: posted on [www.phoenix.gov/budget](http://www.phoenix.gov/budget).

Through social media, email or phone:

#PhoenixBudget

[budget.research@phoenix.gov](mailto:budget.research@phoenix.gov)

602-262-4800









**Published by**

City of Phoenix  
Budget and Research Department  
200 W. Washington St., 14th floor  
Phoenix, AZ 85003

**Budget and Research Director**

Amber Williamson

For additional copies, more information  
or alternative format/reasonable accommodations,  
call 602 262-4800, TTY: use 7-1-1.

