

Proposed Sales Tax Election

Strategy for Financial Stability to Replace State Legislative Revenue Losses

Tempe Chamber Public Policy Meeting – May 6, 2026



City Council Strategic Priorities

Budget & Finance

5.04 General Obligation Bond Rating

5.05 Unassigned Fund Balance

Safety

1.01 Advanced Life Support Response Time

1.02 Cardiac Arrest Survival Rate

1.05 Feeling of Safety in Your Neighborhood

1.14 High Rise Fire Inspections

1.23 Feeling of Safety in Parks

Tempe PRE

3.06 Quality Pre-K Designation

3.13 Poverty Rate

3.34 Community Health and Well-Being

Transit

1.08 High Severity Traffic Crashes (Vision Zero)

3.27 Traffic Delay Reduction

3.29 Transit System Satisfaction



State Legislative Revenue Losses

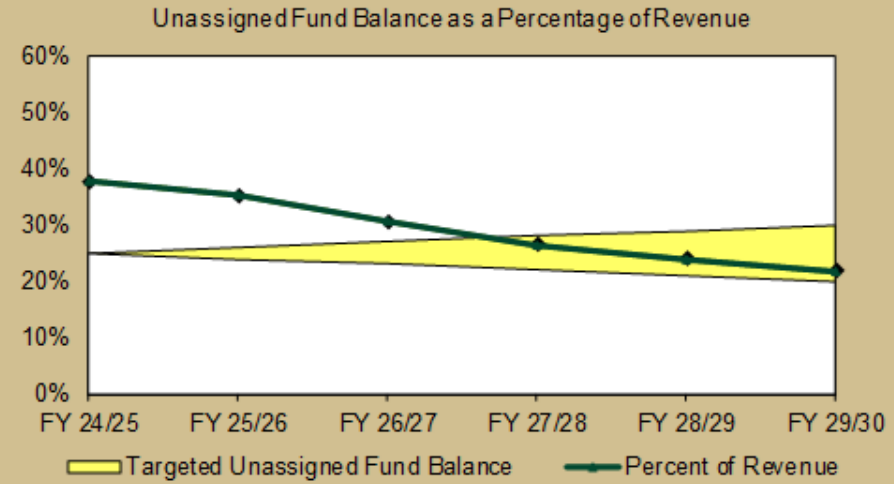
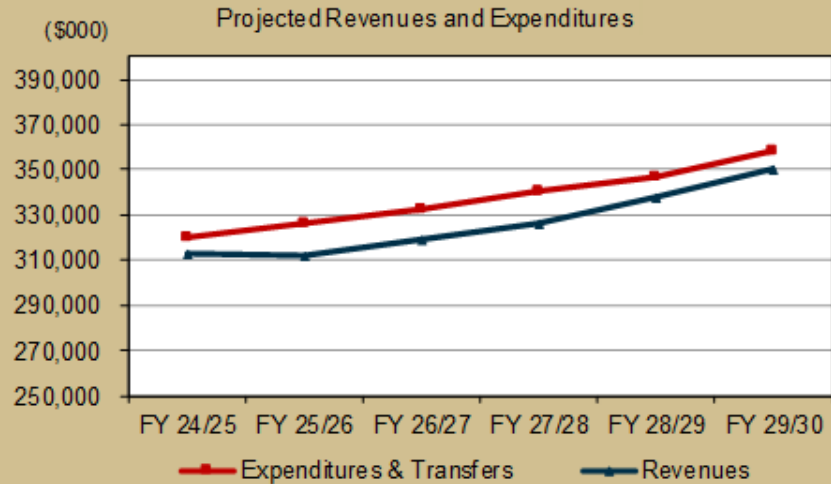
- Recent legislative actions have reduced revenues for cities and towns
- Combined losses highlight the importance of proactive financial planning and identifying alternative revenue strategies

Estimated Revenue Loss					
(in millions)	General Fund	Transit	Arts & Culture	HURF	Total
Repeal of Residential Rental	\$ 14.4	\$ 6.0	\$ 1.3	\$ -	\$ 21.7
Federal Income Tax Conformity	\$ 2.4	\$ -	\$ -	\$ -	\$ 2.4
Incorporation of San Tan Valley	\$ 1.3			\$ 0.3	\$ 1.6
Total	\$ 18.1	\$ 6.0	\$ 1.3	\$ 0.3	\$ 25.7

Potential General Fund Scenario

February 2026

General Fund - Sample Evaluation of Variable Budget Options



Expressed in thousands (\$000)

	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
	Actual	Projected	Projected	Projected	Projected	Projected
Revenues	313,451	311,725	318,952	326,499	338,115	350,738
Expenditures	319,955	326,474	331,446	337,872	343,443	355,332
Transfers/Assignments	-	-	-	-	-	-
Initial Estimated Surplus/(Deficit)	(6,504)	(14,749)	(12,494)	(11,373)	(5,328)	(4,594)

Estimated New Funding for Analysis Purposes

Recurring Supplementals	-	-	-	-	-	-
One-Time Supplementals	-	-	-	-	-	-
CIP Cash Funded (Paygo) and CIP Operating Impacts	-	-	1,489	3,069	3,072	3,075

Unassigned Fund Balance	118,510	109,943	97,449	86,076	80,748	76,155
% of Revenue	38%	35%	31%	26%	24%	22%



General Fund Budget Balancing Measures

- \$19.0 million savings achieved
 - FY24: \$9.7 million from vacancies, supplies, and contract reductions
 - FY25: \$9.3 million from a 10% mid-year budget reduction implemented in March 2025, along with freezing 24 non-critical positions for the remainder of fiscal year 2025
- \$15.0 million in estimated savings from vacancies
 - FY26: \$7.0 million
 - FY27: \$8.0 million
- This is the second consecutive year with no new budget additions, except those required to meet contractual obligations.

Tempe's Substantial Growth

On average, 475,000 people are in Tempe each day, not including visitors.
That's 37% more than 2005.

	2005	2025
Tempe Residents	166,000	190,000
ASU Tempe Students	51,000	55,000
Daily Workforce	130,000	230,000
Total	347,000	475,000

An additional 4.5 million people visit Tempe annually.
That's 5 million total people in Tempe each year, up by 1 million since 2005

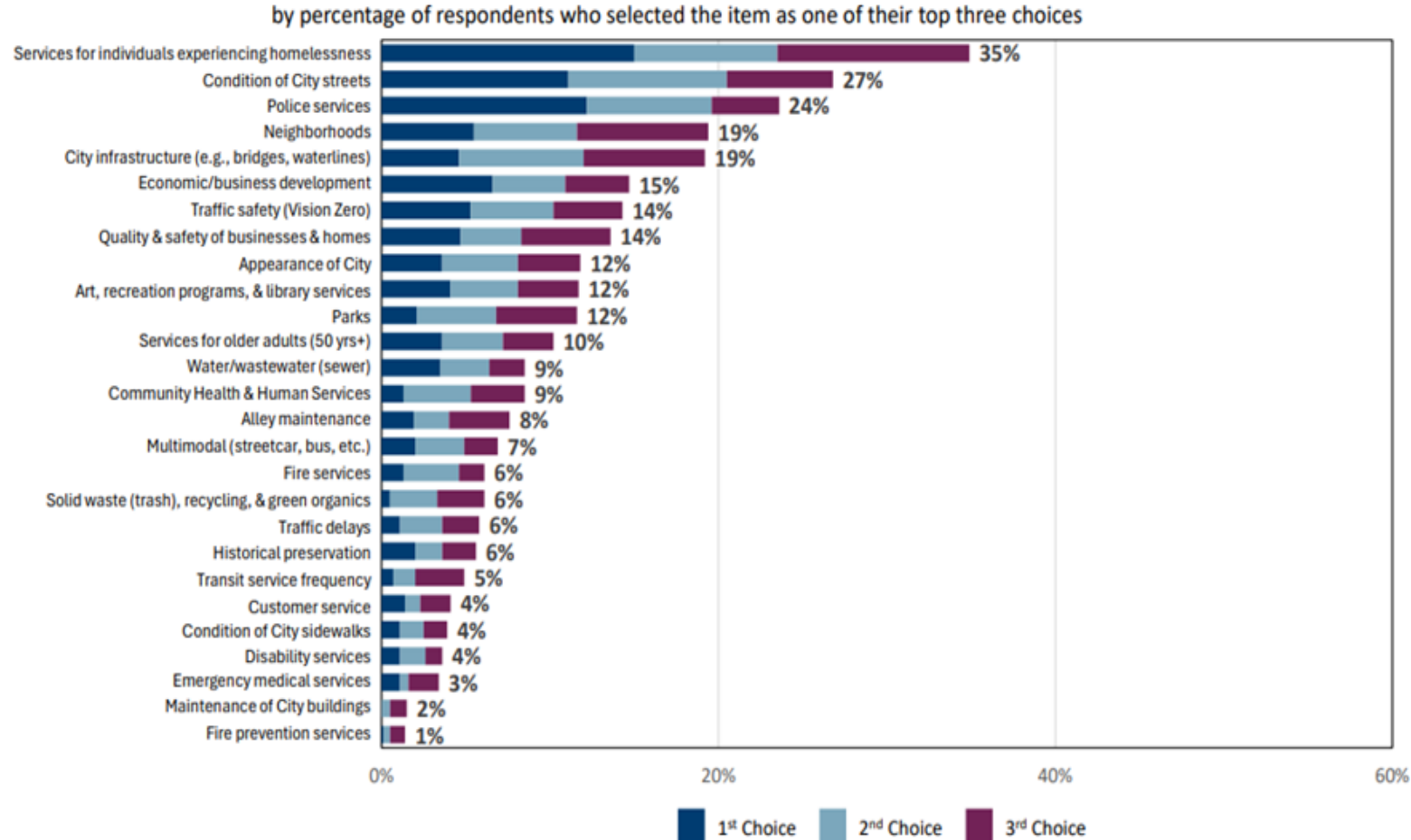


Strategy for Financial Stability to Replace State Legislative Revenue Loss

Proposal to establish a new 0.5% local sales tax

- 0.3% to enhance public safety and strengthen the overall security of Tempe’s parks, neighborhoods, and public spaces
- 0.1% to expand and strengthen Tempe PRE early care and preschool education and to broaden access for income-eligible Tempe residents
- 0.1% for improvement and operation of Tempe’s public transit system and multimodal projects, including pedestrian and bicycle infrastructure
- Aligns with the results of the 2025 Community and Business Surveys

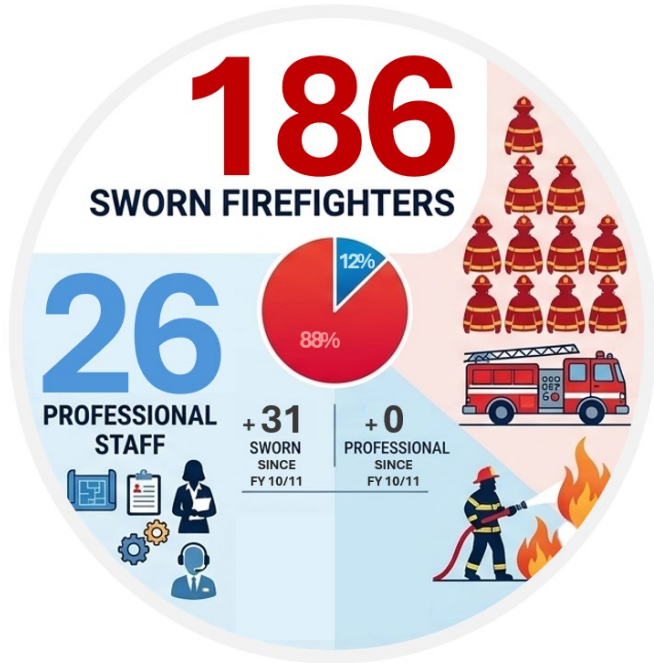
Q10. Which Three Of The Following Do You Think Should Be The City’s Top Priorities Over The Next Year?



Strategy for Financial Stability to Replace State Legislative Revenue Loss

- Proposal to enhance public safety is projected to generate local funding of approximately \$30.3 million
- Offset budgetary losses from state legislative actions and San Tan Valley Incorporation
- Enhance and expand park ranger coverage to increase visibility, community engagement, programming, and response capacity
- Crime Prevention Through Environmental Design (CPTED)
 - Designing and maintaining spaces to help prevent crime and improve safety
 - Make areas easier to see with better lighting, open views, and more activity
 - Keep spaces clean, well-lit, and well-maintained
- Address critical public safety operational needs and expand capacity to meet growing demand

Current State of the Tempe Fire Medical Rescue Department



7 FIRE STATIONS

+1 STATION SINCE 2005



8 ENGINES

+1 UNIT SINCE 2005



2 LADDERS

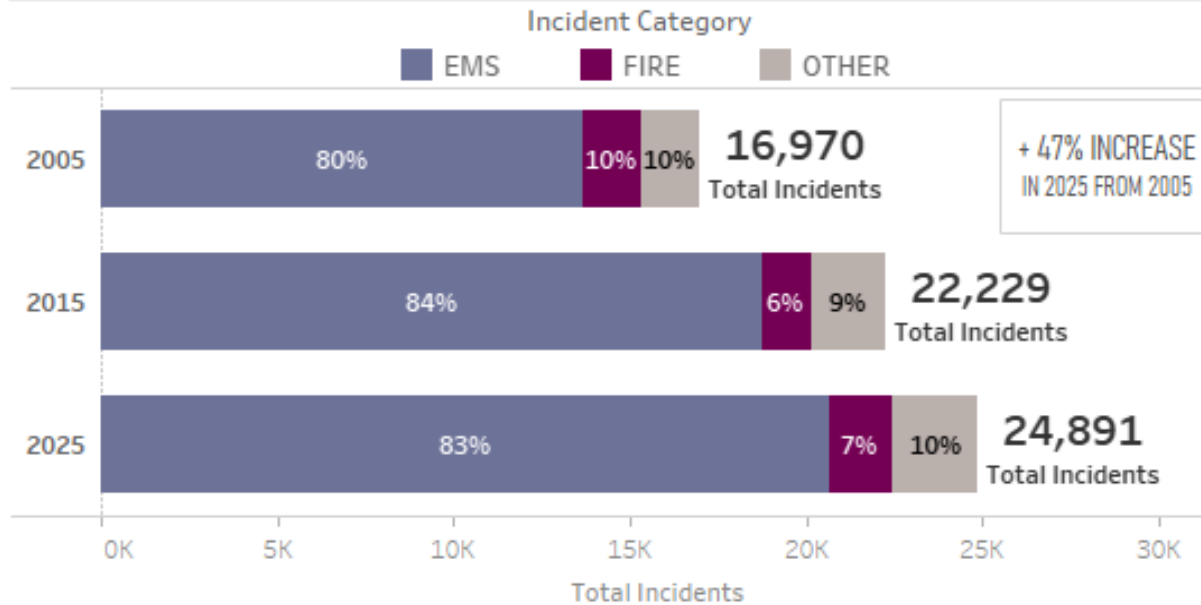


6 AMBULANCES

+6 UNITS SINCE 2005

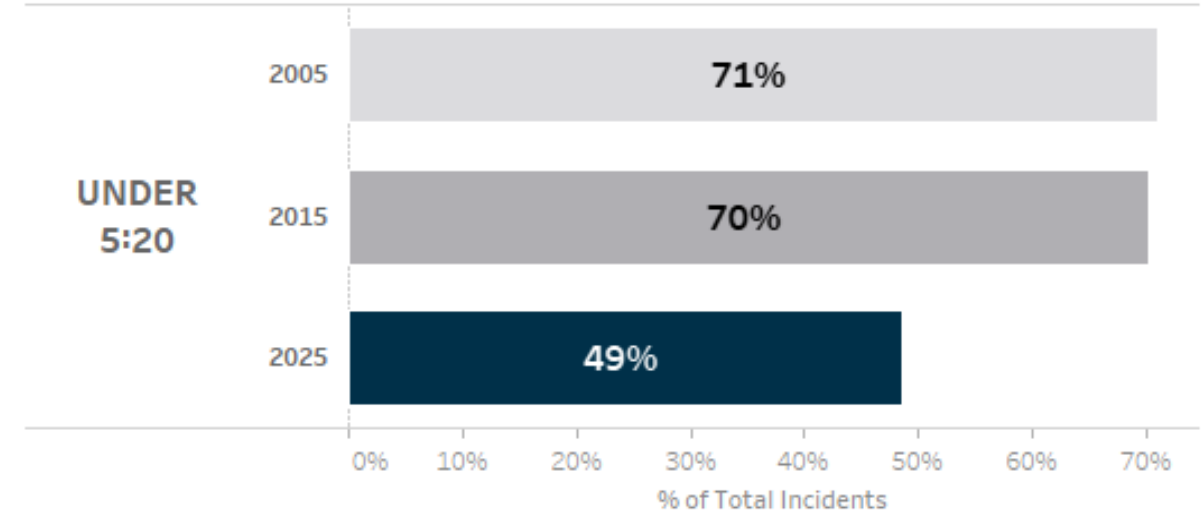
Current State of the Tempe Fire Medical Rescue Department

INCIDENT OVERVIEW



RESPONSE PERFORMANCE

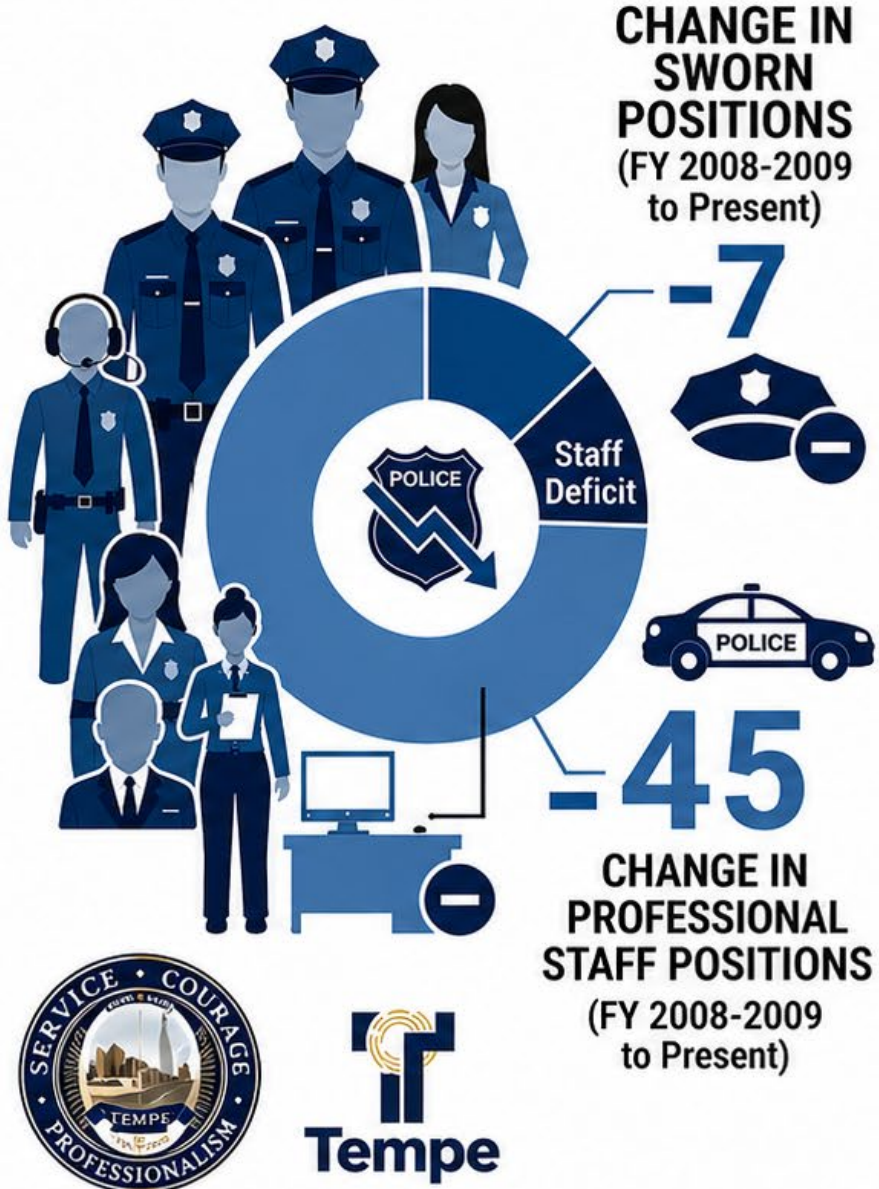
Fire Response Time - Goal: 5 minutes 20 seconds



Public Safety Tax: Investing in Sustainable Emergency Response

- Stabilize operations, staffing and response demands by increasing sworn personnel and infill units
- Increase professional staff in fire prevention and expand community health programs
- Support training for paramedics, hazardous materials technicians, and technical rescue technicians with sustainable backfill support
- Ensure reliable, modern equipment and turnout gear via dedicated funding

Current State of the Tempe Police Department



POLICE STATION



4 POLICE STATIONS

UNCHANGED SINCE 2007

326 FLEET VEHICLES (MARKED & UNMARKED)















SUPPLEMENTED BY 25 MARKED MOTORCYCLES



Current State of the Tempe Police Department

Comparison: Response Time (RT) by Call Priority (2005 vs. 2025)

	2005		2025
Priority Number 1	PRIORITY 1 RT: Emergency Calls		
		 DECREASED	 
Priority Number 2	PRIORITY 2 RT: Urgent Calls		
		 INCREASED	 
Priority Number 3	PRIORITY 3 RT: Routine Calls		
		 INCREASED	 



Priority 1 Response Time: Emergency Calls
2005 averaged 5.28. It decreased to 4.52 in 2025.
This was an 11% decrease.

Priority 1 are emergency calls. These would include homicides, aggravated assaults, drive-by shootings, sexual assaults, and robberies.



Priority 2 Response Time: Urgent Calls
2005 averaged 2.46. It increased to 8.57 in 2025.
This was a 223% increase.

Priority 2 are urgent calls. These would include misdemeanor assaults, domestic violence, vehicle collisions, and injuries.



Priority 3 Response Time: Routine Calls
2005 averaged 6.24. It increased to 47.50 in 2025.
This was a 647% increase.

Priority 3 routine calls. These could be thefts, vehicle burglaries, mental health concerns, welfare checks.

Public Safety Tax: The Path to Sustainable Police Services

- The new revenue would fund the increase in officers and professional staff identified in our ongoing staffing study, as well as additional officers to serve the Novus development, easing workloads, and restoring proactive patrol capability.
- Additional staffing would bring detective caseloads closer to best-practice levels and shorten patrol response times to lower-priority calls.
- Establish a right-sized vehicle fleet with regular replacement cycles for patrol vehicles and critical equipment, to include modernizing our less-lethal capabilities and training to ensure our officers have the skillset to de-escalate on every call.
- Expand RTOC capabilities to strengthen traffic enforcement, advance Vision Zero safety goals, and deepen community engagement through enhanced visibility and preparedness.

Improving Quality of Life for Kids and Families

- The proposal to expand and strengthen Tempe PRE early care and preschool education is projected to generate approximately \$10.1 million in local funding
- Offset the cost of high-quality early care and preschool education for Tempe families with demonstrated financial need
- Funds will be used to
 - Increase availability of Tempe PRE early care and preschool slots for income-eligible children
 - Support a mixed delivery system that includes school district partners and community-based providers
 - Provide scholarships to ensure equitable access to high-quality early care and education
 - Strengthen developmental, school readiness and early literacy outcomes for young children
 - Enhance program quality, workforce supports, and family engagement

Strategy for Financial Stability to Replace State Legislative Revenue Loss

- The proposal for improvement and operation of Tempe's public transit system, including pedestrian and bicycle infrastructure, is projected to generate approximately \$10.1 million in local transit funding
- Offset lost revenues in the Transit Fund from state legislative actions and market-driven increases in cost for operations
- Funds will be used to improve transit, bicycle, and pedestrian programs throughout Tempe
 - Maintain Tempe's public transit services
 - Improve regional connectivity with the streetcar expansion to Tempe Marketplace and Mesa, along Rio Salado Parkway
 - Deliver a regional bicycle and pedestrian bridge over the Tempe Town Lake, West of McClintock
 - Increase safer, convenient options for biking and walking citywide, including protected bike lanes and shaded sidewalks
 - Continue building multi-use paths and street crossings
 - Enhance rider comfort, safety, and accessibility at transit stops and install more bus shelters

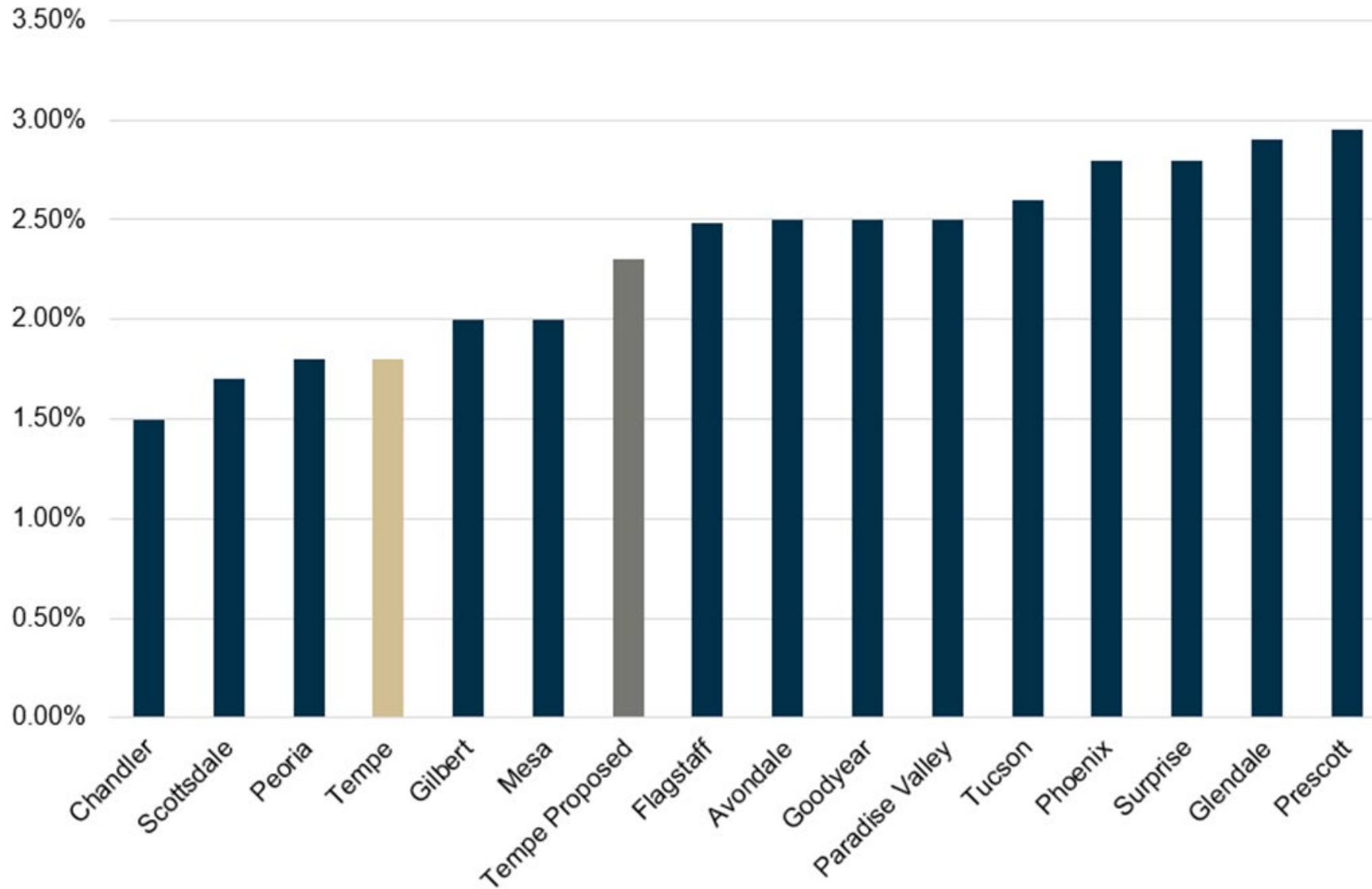


Proposed Sales Tax Increase

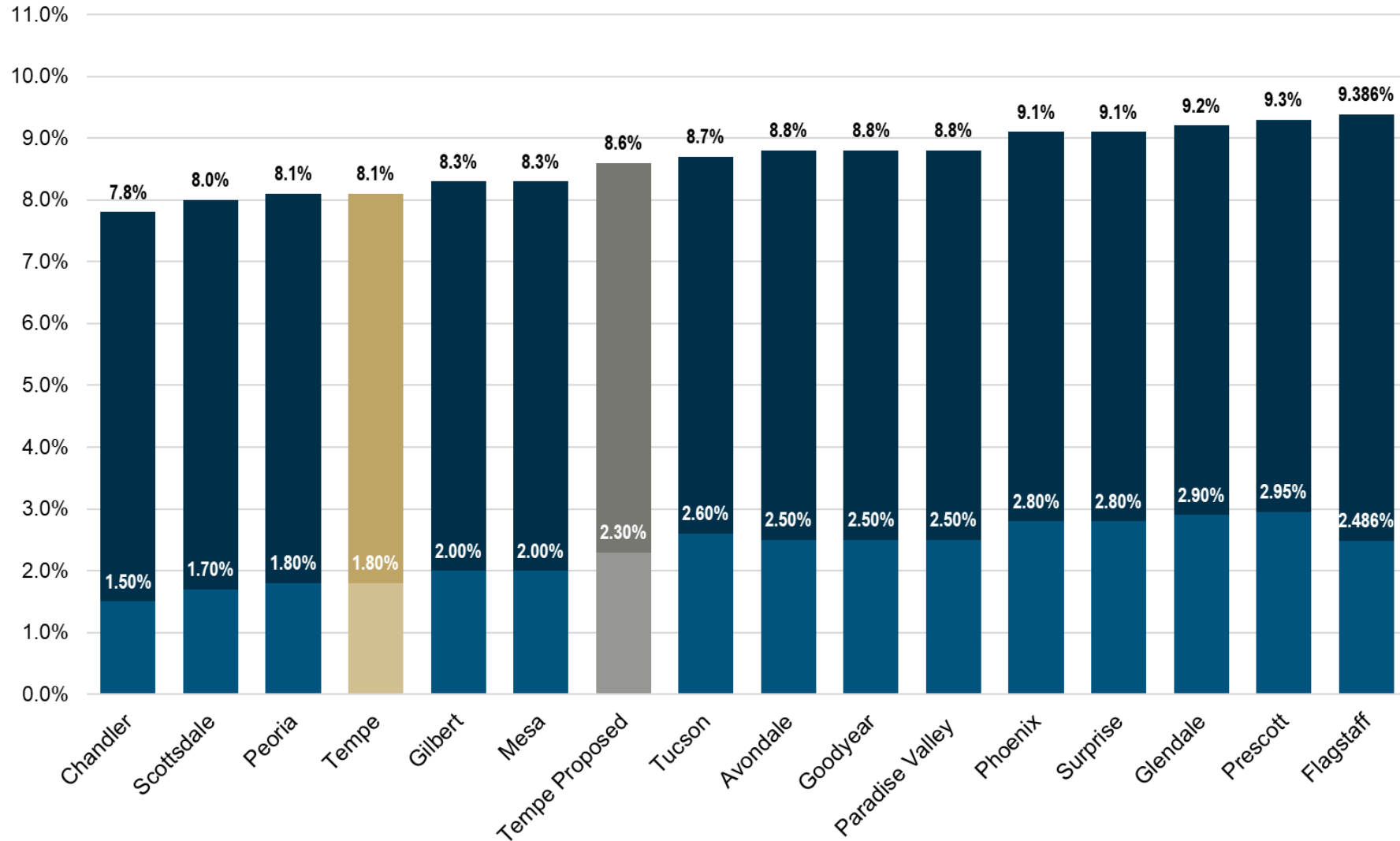
- Reflects Tempe's economic activity while minimizing impact on residents
 - Captures spending from visitors and non-residents
- Grocery (food) tax rate will remain at 1.8% (no change)
 - Recognizes direct impact on residents
 - Considers current inflationary pressures and rising cost of living
 - Avoids additional burden on essential purchases
- If approved by voters, Tempe's total tax rate will increase from 1.8% to 2.3%

Tax Rate	Purchase Price	Local Tax	Total
1.8%	\$ 100.00	\$ 1.80	\$ 101.80
2.3%	\$ 100.00	\$ 2.30	\$ 102.30
Difference		\$ 0.50	\$ 0.50

Proposed Sales Tax Increase – Local Tax



Proposed Sales Tax Increase – Total Tax



Potential Scenario if No Action is Taken

- Ongoing structural deficit driven by permanent revenue loss
- Current service levels are not sustainable without new revenue
- To close the gap, the City may need to consider service reductions, staffing impacts, and delay capital investments
 - Fewer police officers and firefighters than needed for a growing city
 - Longer emergency response times
 - Cuts to programs, service hours, and community services
 - Increased workloads, leading to reduced service quality
 - Increased challenges in recruiting and retaining qualified employees
 - Reduced transit routes, frequency, and access
 - Postpone or eliminate essential capital and infrastructure projects

2008 Recession Budget Reductions

- Eliminated positions including police officers, firefighters, and managers
- Eliminated the park ranger program
- Closed Clark Park Pool
 - Recently rebuilt and reopened 3 years ago
- Eliminated departments through consolidation
- Implemented furloughs and no salary increases
- Reduced employee health benefits
- Postpone or eliminate essential capital and infrastructure projects

2026 Election Timeline

- June – October Public Outreach
- October 7 Early Voting Begins
- October 30 Last Day to Vote Early
- November 3 Election Day
- November – December Ordinance to Update Tax Rates
- January 1 New Tax Rates Effective Date

Input/Questions/Comments

Thank you

Lisette Camacho, Deputy City Manager

Kyle Carman, Interim Fire Chief

Dane Sorensen, Assistant Police Chief

Tim Burch, Community Health and Human Services Director

Eric Iwersen, Transportation and Sustainability Director

