

ATTACHMENT A

Adoption of the Annual Tentative 2026-2027 Budget Ordinances

This report provides backup information to items on the June 3, 2026 Council Formal agenda regarding adoption of the Tentative 2026-2027 Budget ordinances. These are the annual steps required by Arizona Revised Statutes (A.R.S.), Title 42, Chapter 17, Article 3, City Charter, Chapter XVIII, Section 6, and City Code Chapter 2, Section 2-18.

A.R.S. 42-17103 (C) requires adoption of the annual Tentative Budget ordinances, followed by two consecutive weeks of publication of the adopted Tentative Budget in the legally prescribed format. Detailed budget schedules prepared on forms provided by the State Auditor General's Office and Truth in Taxation notice in accordance with state law (A.R.S. 42-17102; 42-17107) are attached to this report.

Adoption of the Tentative 2026-2027 budget ordinances requires the following:

1. Holding a public hearing
2. Adoption of the Tentative 2026-2027 Budget ordinance. This ordinance adopts the portion of the Tentative Budget financed from operating resources. It represents the 2026-2027 Budget approved by the City Council on May 19.
3. Adoption of the Tentative 2026-2027 Capital Funds Budget ordinance. This ordinance adopts the portion of the Tentative Budget financed from capital funds and is included in the first fiscal year of the 2026-2031 Capital Improvement Program.
4. Adoption of the Tentative 2026-2027 Reappropriated Funds Budget ordinance. This budget ordinance is required to re-budget funds that were contractually committed in the prior fiscal year but not yet fully expended. Since budget appropriations expire on June 30 of each fiscal year, this ordinance re-establishes the appropriations for payment of vendors as goods and services are received.

For example, on December 3, 2025, the City Council awarded a contract to M.A. Mortenson Company to provide Construction Manager at Risk Preconstruction and Construction Services for the Phoenix Sky Harbor International Airport Terminal 4 Infrastructure North Concourse 4 Passenger Boarding Bridges Replacement project. The amount of the contract was \$15,000,000, which was encumbered, or committed using the 2025-2026 Aviation Department's Capital Improvement Program budget appropriation. However, to-date payments on this contract have not yet occurred and will extend into fiscal year 2026-2027. The contract amount is included in the Reappropriated Funds ordinance to ensure the spending authority is in place for future payments made on this contract during the 2026-2027 fiscal year.

REMAINING STEPS

Following this action, the Tentative 2026-2027 Budget information will be advertised for two consecutive weeks in accordance with A.R.S. 42-17103 (C).

City Charter, Chapter XVIII, Section 6 (B)(3) requires Council adopt the budget on or before the last day of June each year. As a result, adoption of the Final 2026-2027 Budget is scheduled for the June 17, 2026 Council Formal meeting. The June 17, 2026 actions will include the Final 2026-2027 Budget ordinance, the Final 2026-2027 Capital Funds Budget ordinance, and the Final 2026-2027 Reappropriated Funds Budget ordinance. Both state law and the City Charter require holding public hearings prior to the adoption of the Budget ordinances.

Also on the June 17, 2026 agenda there will be several items necessary to close out the current fiscal year and prepare for the annual independent audit. A separate City Council Report will be provided explaining these funding plan close-out items for the June 17, 2026 agenda.

The 2026-2027 Property Tax Levy will be brought forward for adoption on July 1, 2026, as A.R.S. 42-17104 requires this to occur at least 14 days after a public hearing on expenditures and tax levy. City Charter Chapter XVIII, Section 7 requires adoption of the Property Tax Levy no later than the last regularly scheduled meeting in July. Based on the May 19, 2026 City Council action, the levy will reflect a total property tax rate of \$2.0397 per \$100 of assessed valuation.