

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Vickers, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: February 24, 2023
SUBJECT: Tax Revenue Statistical Report – January 2022

Introduction

The Municipal Budget Office (MBO) reviews the City's privilege (sales) tax collections for the General Fund (1.2%), Transit Fund (0.5%) and Arts & Cultural Fund (0.1%) and the General Fund bed tax (5.0%) in order to monitor the financial performance of the City's largest revenue source. This monthly analysis also provides the opportunity to determine if adjustments need to be made for any significant variances to ensure continuity of programs and service delivery. The January 2022 report summarizes our analysis of the December sales activity reported to the Arizona Department of Revenue (ADOR).

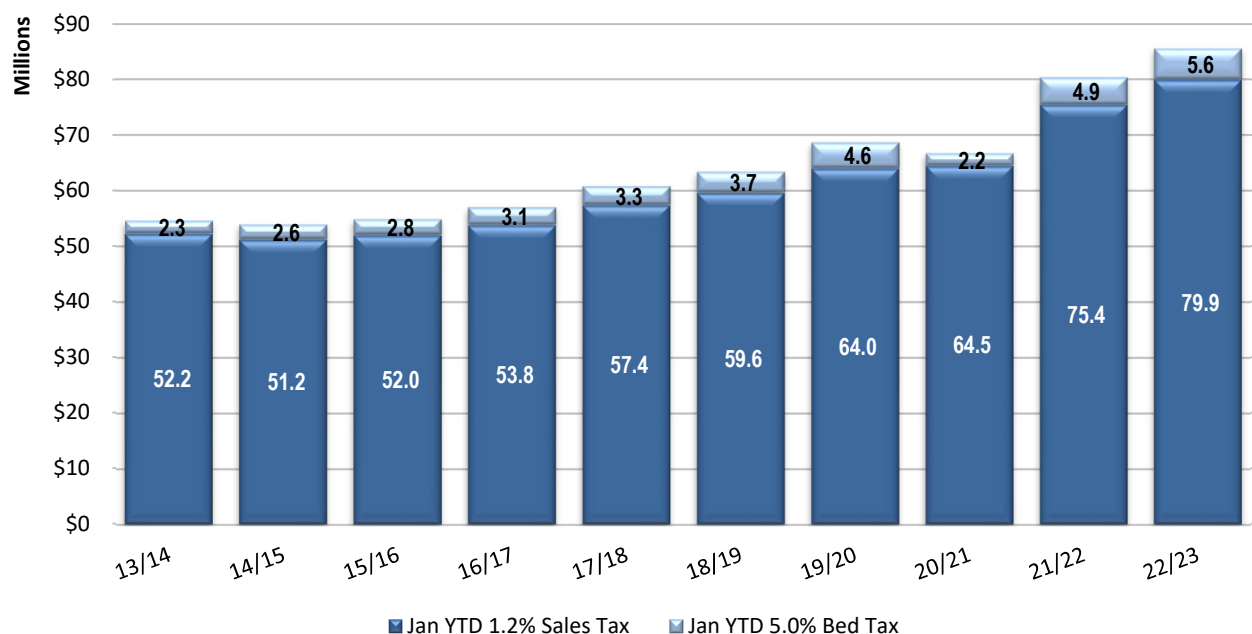
Overall Highlights

Total fiscal year to date taxable *sales* increased by 4.9% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 5.2% or \$6.3 million, due to growth in rentals (\$3.2 million), non-recurring business activities (\$3.1 million), and combined hotel/motel and bed tax (\$1.1 million) activity. The attached Executive Summary provides a summary of historical and current fiscal year taxable sales, sales tax collections by fund, tax revenues by business activity, and an analysis of retail tax revenues by activity.

General Fund Highlights

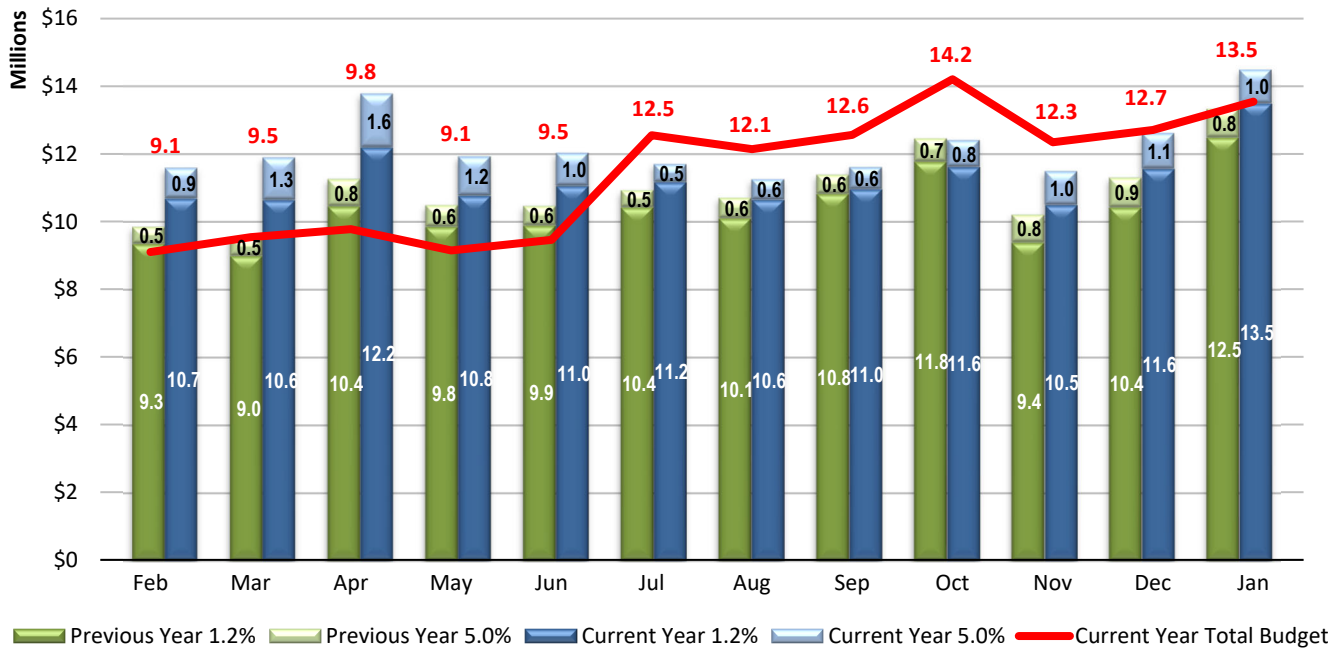
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2013/14 through FY 2022/23. General Fund sales and bed tax revenue for FY 2022/23 is up 6.5% or \$5.2 million over the prior year to date period.

General Fund Year to Date Sales and Bed Tax Collections through January



In addition to the 10-year historical comparison, we also review 12 months of General Fund monthly sales and bed tax collections compared to the previous year and to the FY 2022/23 adopted budget for the combined sales and bed tax, as noted in the graph below.

General Fund Monthly Sales and Bed Tax Collection vs. Previous Year



Finally, the MBO prepares the attached Actual to Budget Comparison report that provides a summary of FY 2022/23 General Fund sales tax, bed tax, and a combined total sales and bed tax collections compared to a projected budget amount for the month. Although sales and bed tax are not actually budgeted on a monthly basis, this type of analysis of actual collections compared to projections provides insight into sales and bed tax performance. Using this approach, fiscal year to date General Fund sales tax is \$3.4 million below revenue projections, General Fund bed tax is \$1.2 million below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$4.6 million below the revenue projection.

The Municipal Budget Office is closely monitoring the above noted fiscal year to date variance of sales and bed tax collections compared to the projected amount. At this time, the City is not planning to make any budget adjustments due to the variance in sales and bed tax collections as the City’s overall revenue collections are meeting current projections.

Sales and bed tax collections continue to experience variances from projections based on historical trends as the economy experiences volatility due to a variety of factors, including inflation, supply and labor shortages and movement towards a post COVID pandemic economy. In the future, if sales and bed tax collections experience negative variances from projections and overall revenue collections are not meeting projections, the City will make necessary budget adjustments to ensure continuity of programs and service delivery.

- Attachments: Executive Summary
- Actual Compared to Budget Projection

Executive Summary

Current Month - January

Fiscal Year to Date - January

	Current Month - January				Fiscal Year to Date - January											
	2019-20	Change	2020-21	Change	2021-22	Change	2022-23	Change	2019-20	Change	2020-21	Change	2021-22	Change	2022-23	Change
Taxable Sales																
Total Taxable Sales	868,783,000	3.3%	917,652,000	5.6%	1,086,278,000	18.4%	1,143,714,000	5.3%	5,580,904,000	7.6%	5,531,493,000	-0.9%	6,527,353,000	18.0%	6,849,734,000	4.9%
Retail Taxable Sales	501,163,000	7.9%	566,605,000	13.1%	662,741,000	17.0%	661,650,000	-0.2%	3,013,865,000	5.5%	3,229,169,000	7.1%	3,794,286,000	17.5%	3,684,935,000	-2.9%
Tax Revenues by Fund																
General Fund																
Privilege Tax (1.2%)	9,930,000	3.0%	10,667,000	7.4%	12,479,000	17.0%	13,484,000	8.1%	63,983,000	7.4%	64,451,000	0.7%	75,392,000	17.0%	79,880,000	6.0%
Bed Tax (5.0%)	667,000	38.1%	298,000	-55.3%	849,000	184.9%	1,001,000	17.9%	4,584,000	23.7%	2,174,000	-52.6%	4,869,000	124.0%	5,608,000	15.2%
Privilege Tax Rebates	335,000	-1.5%	273,000	-18.5%	352,000	28.9%	-	-100.0%	1,888,000	6.4%	1,405,000	-25.6%	1,768,000	25.8%	971,000	-45.1%
Total General Fund	10,932,000	4.5%	11,238,000	2.8%	13,680,000	21.7%	14,485,000	5.9%	70,455,000	8.3%	68,030,000	-3.4%	82,029,000	20.6%	86,459,000	5.4%
Transit Fund																
Privilege Tax (0.5%)	4,138,000	2.8%	4,445,000	7.4%	5,200,000	17.0%	5,619,000	8.1%	26,681,000	7.4%	26,855,000	0.7%	31,414,000	17.0%	33,283,000	5.9%
Privilege Tax Rebates	139,000	6.9%	114,000	-18.0%	147,000	28.9%	-	-100.0%	765,000	6.3%	585,000	-23.5%	736,000	25.8%	404,000	-45.1%
Total Transit Fund	4,277,000	2.9%	4,559,000	6.6%	5,347,000	17.3%	5,619,000	5.1%	27,446,000	7.3%	27,440,000	0.0%	32,150,000	17.2%	33,687,000	4.8%
Arts & Culture Fund																
Privilege Tax (0.1%)	855,000	2.9%	912,000	6.7%	1,069,000	17.2%	1,124,000	5.1%	5,489,000	7.3%	5,488,000	0.0%	6,430,000	17.2%	6,738,000	4.8%
Total Arts & Culture Fund	855,000	2.9%	912,000	6.7%	1,069,000	17.2%	1,124,000	5.1%	5,489,000	7.3%	5,488,000	0.0%	6,430,000	17.2%	6,738,000	4.8%
Totals	16,064,000	4.0%	16,709,000	4.0%	20,096,000	20.3%	21,228,000	5.6%	103,390,000	-46.0%	100,958,000	-2.4%	120,609,000	19.5%	126,884,000	5.2%
Tax Revenues by Business Activities																
Retail	9,021,000	7.9%	10,199,000	13.1%	11,929,000	17.0%	11,910,000	-0.2%	54,250,000	5.5%	58,024,000	7.0%	68,297,000	17.7%	65,091,000	-4.7%
Rentals	3,068,000	5.9%	3,118,000	1.6%	3,490,000	11.9%	4,052,000	16.1%	18,664,000	8.7%	19,187,000	2.8%	21,607,000	12.6%	24,769,000	14.6%
Utilities/Communication	532,000	0.0%	498,000	-6.4%	492,000	-1.2%	544,000	10.6%	5,068,000	-2.8%	5,005,000	-1.2%	5,042,000	0.7%	5,331,000	5.7%
Restaurants	1,224,000	7.9%	939,000	-23.3%	1,422,000	51.4%	1,537,000	8.1%	7,817,000	5.4%	6,195,000	-20.7%	9,098,000	46.9%	9,861,000	8.4%
Contracting	1,045,000	-24.1%	997,000	-4.6%	1,302,000	30.6%	1,059,000	-18.7%	7,873,000	11.2%	7,017,000	-10.9%	6,084,000	-13.3%	6,813,000	12.0%
Hotel/Motel	247,000	35.7%	116,000	-53.0%	327,000	181.9%	433,000	32.4%	1,674,000	18.1%	846,000	-49.5%	1,861,000	120.0%	2,238,000	20.3%
Transient (Bed Tax)	667,000	38.1%	298,000	-55.3%	849,000	184.9%	1,001,000	17.9%	4,584,000	23.7%	2,174,000	-52.6%	4,869,000	124.0%	5,608,000	15.2%
Non-Recurring Business Activities	19,000	-91.7%	409,000	2052.6%	26,000	-93.6%	370,000	1323.1%	2,035,000	162.2%	1,652,000	-18.8%	2,085,000	26.2%	5,225,000	150.6%
Amusements	192,000	7.9%	72,000	-62.5%	146,000	102.8%	191,000	30.8%	905,000	10.5%	387,000	-57.2%	925,000	139.0%	1,203,000	30.1%
All Other	49,000	-36.4%	62,000	26.5%	113,000	82.3%	132,000	16.8%	521,000	-99.5%	471,000	-9.6%	740,000	57.1%	746,000	0.8%
Totals	16,064,000	4.0%	16,709,000	4.0%	20,096,000	20.3%	21,228,000	5.6%	103,390,000	-46.0%	100,958,000	-2.4%	120,609,000	19.5%	126,884,000	5.2%
Retail Tax Revenues by Activities																
Automotive	1,281,000	11.1%	1,240,000	-3.2%	1,479,000	19.3%	1,377,000	-6.9%	8,260,000	4.5%	8,197,000	-0.8%	9,336,000	13.9%	9,552,000	2.3%
Building Supply Stores	287,000	8.3%	324,000	12.9%	379,000	17.0%	404,000	6.6%	2,085,000	7.3%	2,368,000	13.6%	2,753,000	16.3%	2,968,000	7.8%
Department Stores	1,497,000	6.6%	1,367,000	-8.7%	1,610,000	17.8%	1,660,000	3.1%	7,558,000	3.6%	7,416,000	-1.9%	8,459,000	14.1%	8,913,000	5.4%
Drug/Small Stores	1,569,000	18.2%	1,651,000	5.2%	1,763,000	6.8%	1,750,000	-0.7%	8,388,000	11.9%	9,209,000	9.8%	9,716,000	5.5%	9,276,000	-4.5%
Furniture/Equipment/Electronics	636,000	2.1%	754,000	18.6%	808,000	7.2%	588,000	-27.2%	4,056,000	-2.0%	4,479,000	10.4%	4,912,000	9.7%	2,664,000	-45.8%
Grocery Stores	1,184,000	2.3%	1,224,000	3.4%	1,315,000	7.4%	1,359,000	3.3%	5,893,000	1.9%	6,232,000	5.8%	6,246,000	0.2%	6,797,000	8.8%
Manufacturing Firms	608,000	-9.4%	764,000	25.7%	1,000,000	30.9%	504,000	-49.6%	4,260,000	-12.3%	4,229,000	-0.7%	6,687,000	58.1%	3,131,000	-53.2%
All Other Retail	1,959,000	11.3%	2,875,000	46.8%	3,575,000	24.3%	4,268,000	19.4%	13,750,000	14.5%	15,894,000	15.6%	20,188,000	27.0%	21,790,000	7.9%
Totals	9,021,000	7.9%	10,199,000	13.1%	11,929,000	17.0%	11,910,000	-0.2%	54,250,000	5.5%	58,024,000	7.0%	68,297,000	17.7%	65,091,000	-4.7%

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.4%	\$ 11,776,000	\$ 11,159,000	\$ (617,000)	-5.2%
Aug	7.9%	11,161,000	10,641,000	(520,000)	-4.7%
Sep	8.0%	11,286,000	10,951,000	(335,000)	-3.0%
Oct	9.1%	12,834,000	11,608,000	(1,226,000)	-9.6%
Nov	8.1%	11,429,000	10,485,000	(944,000)	-8.3%
Dec	8.4%	11,853,000	11,552,000	(301,000)	-2.5%
Jan	9.2%	12,938,000	13,484,000	546,000	4.2%
Feb	8.0%	11,201,000			
Mar	8.3%	11,718,000			
Apr	8.5%	11,896,000			
May	7.9%	11,053,000			
Jun	8.1%	11,430,000			
Totals	100.0%	\$ 140,575,000	\$ 79,880,000	\$ (3,397,000)	-2.4%

Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	8.4%	\$ 11,776,000	\$ 11,159,000	\$ (617,000)	-5.2%
Jul-Aug	1	16.3%	22,937,000	21,800,000	(1,137,000)	-5.0%
Jul-Sep	1	24.3%	34,223,000	32,751,000	(1,472,000)	-4.3%
Jul-Oct	1	33.5%	47,057,000	44,359,000	(2,698,000)	-5.7%
Jul-Nov	1	41.6%	58,486,000	54,844,000	(3,642,000)	-6.2%
Jul-Dec	1	50.0%	70,339,000	66,396,000	(3,943,000)	-5.6%
Jul-Jan	1	59.2%	83,277,000	79,880,000	(3,397,000)	-4.1%
Jul-Feb	1	67.2%	94,478,000			
Jul-Mar	1	75.5%	106,196,000			
Jul-Apr	1	84.0%	118,092,000			
Jul-May	1	91.9%	129,145,000			
Jul-Jun	1	100.0%	140,575,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 138,471,000	\$ 140,575,000	\$ (2,104,000)	-1.5%
% Received	\$ 134,841,000	\$ 140,575,000	\$ (5,734,000)	-4.1%

Bed Tax Revenue - General Fund (5.0%) 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.1%	\$ 772,000	\$ 525,000	\$ (247,000)	-32.0%
Aug	9.0%	978,000	602,000	(376,000)	-38.4%
Sep	11.7%	1,276,000	646,000	(630,000)	-49.4%
Oct	12.6%	1,376,000	788,000	(588,000)	-42.7%
Nov	8.4%	915,000	991,000	76,000	8.3%
Dec	7.9%	855,000	1,055,000	200,000	23.4%
Jan	5.6%	605,000	1,001,000	396,000	65.5%
Feb	6.1%	660,000			
Mar	6.8%	739,000			
Apr	7.4%	803,000			
May	8.4%	914,000			
Jun	9.1%	985,000			
Totals	100.0%	\$ 10,878,000	\$ 5,608,000	\$ (1,169,000)	-10.7%

Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	7.1%	\$ 772,000	\$ 525,000	\$ (247,000)	-32.0%
Jul-Aug	1	16.1%	1,750,000	1,127,000	(623,000)	-35.6%
Jul-Sep	1	27.8%	3,026,000	1,773,000	(1,253,000)	-41.4%
Jul-Oct	1	40.5%	4,402,000	2,561,000	(1,841,000)	-41.8%
Jul-Nov	1	48.9%	5,317,000	3,552,000	(1,765,000)	-33.2%
Jul-Dec	1	56.7%	6,172,000	4,607,000	(1,565,000)	-25.4%
Jul-Jan	1	62.3%	6,777,000	5,608,000	(1,169,000)	-17.2%
Jul-Feb	1	68.4%	7,437,000			
Jul-Mar	1	75.2%	8,176,000			
Jul-Apr	1	82.5%	8,979,000			
Jul-May	1	90.9%	9,893,000			
Jul-Jun	1	100.0%	10,878,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 12,359,000	\$ 10,878,000	\$ 1,481,000	13.6%
% Received	\$ 9,002,000	\$ 10,878,000	\$ (1,876,000)	-17.2%

Total General Fund Tax Revenue 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,548,000	\$ 11,684,000	\$ (864,000)	-6.9%
Aug	8.0%	12,139,000	11,243,000	(896,000)	-7.4%
Sep	8.3%	12,562,000	11,597,000	(965,000)	-7.7%
Oct	9.4%	14,210,000	12,396,000	(1,814,000)	-12.8%
Nov	8.2%	12,344,000	11,476,000	(868,000)	-7.0%
Dec	8.4%	12,708,000	12,607,000	(101,000)	-0.8%
Jan	8.9%	13,543,000	14,485,000	942,000	7.0%
Feb	7.8%	11,861,000			
Mar	8.2%	12,457,000			
Apr	8.4%	12,699,000			
May	7.9%	11,967,000			
Jun	8.2%	12,415,000			
Totals	100.0%	\$ 151,453,000	\$ 85,488,000	\$ (4,566,000)	-3.0%

Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	8.3%	\$ 12,548,000	\$ 11,684,000	\$ (864,000)	-6.9%
Jul-Aug	1	16.3%	24,687,000	22,927,000	(1,760,000)	-7.1%
Jul-Sep	1	24.6%	37,249,000	34,524,000	(2,725,000)	-7.3%
Jul-Oct	1	34.0%	51,459,000	46,920,000	(4,539,000)	-8.8%
Jul-Nov	1	42.1%	63,803,000	58,396,000	(5,407,000)	-8.5%
Jul-Dec	1	50.5%	76,511,000	71,003,000	(5,508,000)	-7.2%
Jul-Jan	1	59.5%	90,054,000	85,488,000	(4,566,000)	-5.1%
Jul-Feb	1	67.3%	101,915,000			
Jul-Mar	1	75.5%	114,372,000			
Jul-Apr	1	83.9%	127,071,000			
Jul-May	1	91.8%	139,038,000			
Jul-Jun	1	100.0%	151,453,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 150,632,000	\$ 151,453,000	\$ (821,000)	-0.5%
% Received	\$ 143,774,000	\$ 151,453,000	\$ (7,679,000)	-5.1%