

# MEMORANDUM



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

## 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 February 2023 report summarizes our analysis of the January sales activity reported to the Arizona Department of Revenue (ADOR).

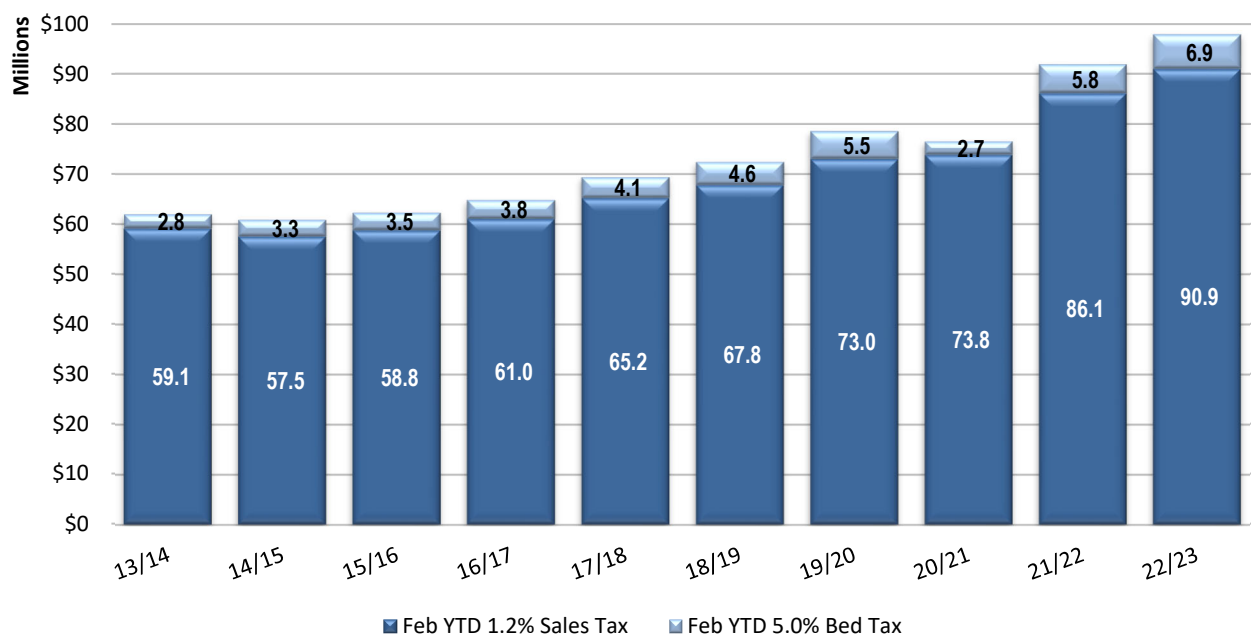
## Overall Highlights

Total fiscal year to date taxable sales increased by 4.6% over the same year to date period in the prior fiscal year. Total sales tax revenue is up 5.0% or \$6.8 million, due to growth in rentals (\$3.6 million), non-recurring business activities (\$2.8 million), and combined hotel/motel and bed tax (\$1.7 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

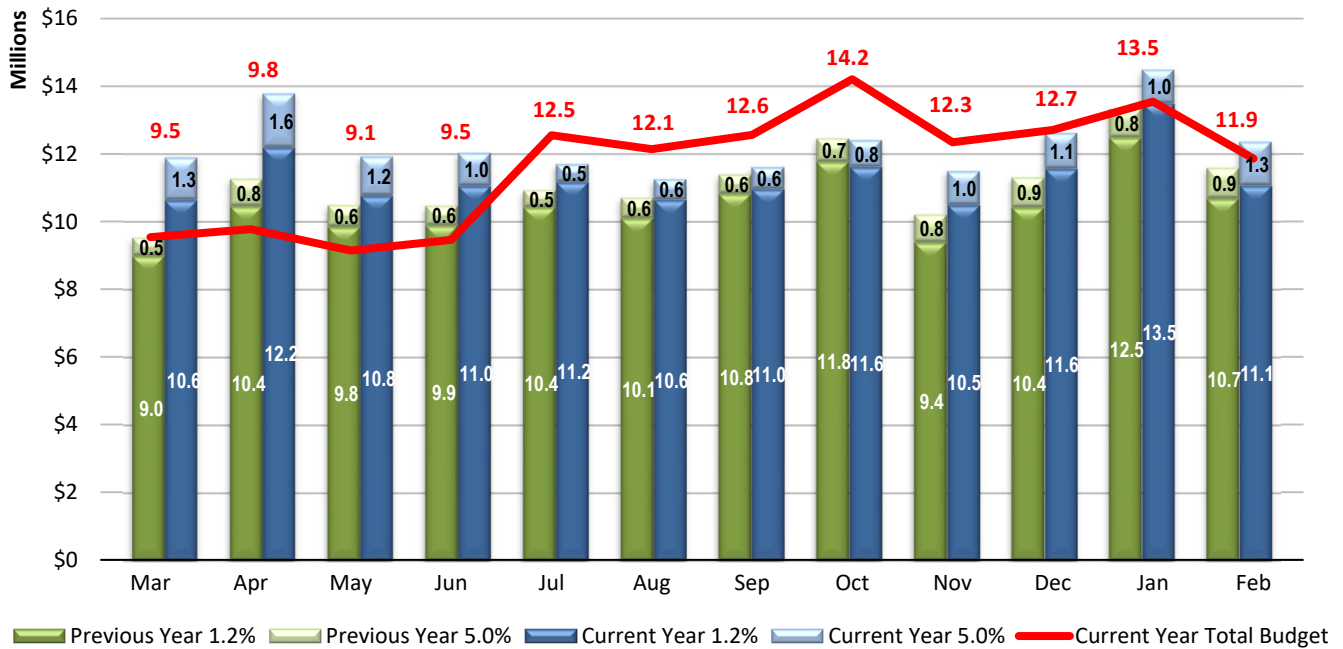
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2013/14 through FY 2022/23. General Fund sales and bed tax revenue for FY 2022/23 is up 6.5% or \$6.0 million over the prior year to date period.

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



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 \$3.5 million below revenue projections, General Fund bed tax is \$538 thousand below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$4.1 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 - February

### Fiscal Year to Date - February

	2019-20		2020-21		2021-22		2022-23		2019-20		2020-21		2021-22		2022-23	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
<b>Taxable Sales</b>																
Total Taxable Sales	783,962,000	7.9%	804,197,000	2.6%	929,960,000	15.6%	947,311,000	1.9%	6,364,866,000	7.6%	6,335,689,000	-0.5%	7,457,314,000	17.7%	7,797,045,000	4.6%
Retail Taxable Sales	427,132,000	10.3%	480,119,000	12.4%	521,619,000	8.6%	519,564,000	-0.4%	3,440,997,000	6.1%	3,709,288,000	7.8%	4,315,905,000	16.4%	4,204,499,000	-2.6%
<b>Tax Revenues by Fund</b>																
<b>General Fund</b>																
Privilege Tax (1.2%)	8,980,000	9.9%	9,347,000	4.1%	10,677,000	14.2%	11,058,000	3.6%	72,963,000	7.7%	73,798,000	1.1%	86,069,000	16.6%	90,938,000	5.7%
Bed Tax (5.0%)	965,000	9.5%	490,000	-49.2%	899,000	83.5%	1,291,000	43.6%	5,549,000	20.9%	2,664,000	-52.0%	5,768,000	116.5%	6,899,000	19.6%
Privilege Tax Rebates	196,000	-42.0%	186,000	-5.1%	267,000	43.5%	-	-100.0%	2,084,000	-1.4%	1,591,000	-23.7%	2,035,000	27.9%	971,000	-52.3%
<b>Total General Fund</b>	<b>10,141,000</b>	<b>8.0%</b>	<b>10,023,000</b>	<b>-1.2%</b>	<b>11,843,000</b>	<b>18.2%</b>	<b>12,349,000</b>	<b>4.3%</b>	<b>80,596,000</b>	<b>8.2%</b>	<b>78,053,000</b>	<b>-3.2%</b>	<b>93,872,000</b>	<b>20.3%</b>	<b>98,808,000</b>	<b>5.3%</b>
<b>Transit Fund</b>																
Privilege Tax (0.5%)	3,742,000	9.8%	3,895,000	4.1%	4,449,000	14.2%	4,607,000	3.6%	30,423,000	7.7%	30,750,000	1.1%	35,863,000	16.6%	37,891,000	5.7%
Privilege Tax Rebates	82,000	-40.6%	77,000	-6.1%	111,000	44.2%	-	-100.0%	847,000	-1.3%	662,000	-21.8%	847,000	27.9%	404,000	-52.3%
<b>Total Transit Fund</b>	<b>3,824,000</b>	<b>7.9%</b>	<b>3,972,000</b>	<b>3.9%</b>	<b>4,560,000</b>	<b>14.8%</b>	<b>4,607,000</b>	<b>1.0%</b>	<b>31,270,000</b>	<b>7.4%</b>	<b>31,412,000</b>	<b>0.5%</b>	<b>36,710,000</b>	<b>16.9%</b>	<b>38,295,000</b>	<b>4.3%</b>
<b>Arts &amp; Culture Fund</b>																
Privilege Tax (0.1%)	765,000	7.9%	794,000	3.8%	912,000	14.9%	921,000	1.0%	6,254,000	7.4%	6,282,000	0.4%	7,342,000	16.9%	7,659,000	4.3%
<b>Total Arts &amp; Culture Fund</b>	<b>765,000</b>	<b>7.9%</b>	<b>794,000</b>	<b>3.8%</b>	<b>912,000</b>	<b>14.9%</b>	<b>921,000</b>	<b>1.0%</b>	<b>6,254,000</b>	<b>7.4%</b>	<b>6,282,000</b>	<b>0.4%</b>	<b>7,342,000</b>	<b>16.9%</b>	<b>7,659,000</b>	<b>4.3%</b>
<b>Totals</b>	<b>14,730,000</b>	<b>8.0%</b>	<b>14,789,000</b>	<b>0.4%</b>	<b>17,315,000</b>	<b>17.1%</b>	<b>17,877,000</b>	<b>3.2%</b>	<b>118,120,000</b>	<b>-46.0%</b>	<b>115,747,000</b>	<b>-2.0%</b>	<b>137,924,000</b>	<b>19.2%</b>	<b>144,762,000</b>	<b>5.0%</b>
<b>Tax Revenues by Business Activities</b>																
Retail	7,688,000	10.3%	8,642,000	12.4%	9,389,000	8.6%	9,352,000	-0.4%	61,938,000	6.1%	66,666,000	7.6%	77,686,000	16.5%	74,443,000	-4.2%
Rentals	2,583,000	3.3%	2,636,000	2.1%	2,826,000	7.2%	3,302,000	16.8%	21,246,000	8.0%	21,824,000	2.7%	24,433,000	12.0%	28,071,000	14.9%
Utilities/Communication	529,000	-2.9%	513,000	-3.0%	534,000	4.1%	568,000	6.4%	5,597,000	-2.8%	5,518,000	-1.4%	5,576,000	1.1%	5,899,000	5.8%
Restaurants	1,167,000	1.7%	1,014,000	-13.1%	1,280,000	26.2%	1,477,000	15.4%	8,984,000	4.9%	7,209,000	-19.8%	10,378,000	44.0%	11,337,000	9.2%
Contracting	1,151,000	27.3%	1,093,000	-5.0%	1,555,000	42.3%	1,044,000	-32.9%	9,025,000	13.0%	8,110,000	-10.1%	7,639,000	-5.8%	7,857,000	2.9%
Hotel/Motel	361,000	11.1%	187,000	-48.2%	335,000	79.1%	533,000	59.1%	2,035,000	16.8%	1,033,000	-49.2%	2,197,000	112.7%	2,771,000	26.1%
Transient (Bed Tax)	965,000	9.5%	490,000	-49.2%	899,000	83.5%	1,291,000	43.6%	5,549,000	20.9%	2,664,000	-52.0%	5,768,000	116.5%	6,899,000	19.6%
Non-Recurring Business Activities	-	-100.0%	84,000	100.0%	310,000	269.0%	16,000	-94.8%	2,035,000	114.4%	1,736,000	-14.7%	2,396,000	38.0%	5,242,000	118.8%
Amusements	133,000	8.1%	77,000	-42.1%	113,000	46.8%	193,000	70.8%	1,038,000	10.2%	464,000	-55.3%	1,039,000	123.9%	1,396,000	34.4%
All Other	151,000	96.1%	54,000	-64.2%	72,000	33.3%	102,000	41.7%	673,000	-99.4%	524,000	-22.1%	812,000	55.0%	847,000	4.3%
<b>Totals</b>	<b>14,730,000</b>	<b>8.0%</b>	<b>14,789,000</b>	<b>0.4%</b>	<b>17,315,000</b>	<b>17.1%</b>	<b>17,877,000</b>	<b>3.2%</b>	<b>118,120,000</b>	<b>-46.0%</b>	<b>115,747,000</b>	<b>-2.0%</b>	<b>137,924,000</b>	<b>19.2%</b>	<b>144,762,000</b>	<b>5.0%</b>
<b>Retail Tax Revenues by Activities</b>																
Automotive	1,101,000	5.0%	1,174,000	6.6%	1,232,000	4.9%	1,270,000	3.1%	9,361,000	4.6%	9,371,000	0.1%	10,567,000	12.8%	10,822,000	2.4%
Building Supply Stores	311,000	4.0%	343,000	10.3%	379,000	10.5%	407,000	7.4%	2,396,000	6.8%	2,711,000	13.1%	3,132,000	15.5%	3,375,000	7.8%
Department Stores	865,000	3.8%	924,000	6.8%	969,000	4.9%	1,042,000	7.5%	8,423,000	3.6%	8,340,000	-1.0%	9,428,000	13.0%	9,955,000	5.6%
Drug/Small Stores	1,142,000	3.6%	1,329,000	16.4%	1,396,000	5.0%	1,251,000	-10.4%	9,530,000	10.8%	10,538,000	10.6%	11,111,000	5.4%	10,527,000	-5.3%
Furniture/Equipment/Electronics	461,000	-7.8%	762,000	65.3%	629,000	-17.5%	693,000	10.2%	4,517,000	-2.6%	5,241,000	16.0%	5,542,000	5.7%	3,357,000	-39.4%
Grocery Stores	793,000	0.1%	759,000	-4.3%	1,092,000	43.9%	857,000	-21.5%	6,686,000	1.7%	6,990,000	4.5%	7,338,000	5.0%	7,654,000	4.3%
Manufacturing Firms	456,000	-16.0%	786,000	72.4%	837,000	6.5%	410,000	-51.0%	4,716,000	-12.7%	5,015,000	6.3%	7,524,000	50.0%	3,541,000	-52.9%
All Other Retail	2,559,000	38.2%	2,565,000	0.2%	2,855,000	11.3%	3,422,000	19.9%	16,309,000	17.7%	18,460,000	13.2%	23,044,000	24.8%	25,212,000	9.4%
<b>Totals</b>	<b>7,688,000</b>	<b>10.3%</b>	<b>8,642,000</b>	<b>12.4%</b>	<b>9,389,000</b>	<b>8.6%</b>	<b>9,352,000</b>	<b>-0.4%</b>	<b>61,938,000</b>	<b>6.1%</b>	<b>66,666,000</b>	<b>7.6%</b>	<b>77,686,000</b>	<b>16.5%</b>	<b>74,443,000</b>	<b>-4.2%</b>

## 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	11,058,000	(143,000)	-1.3%
Mar	8.3%	11,718,000			
Apr	8.5%	11,896,000			
May	7.9%	11,053,000			
Jun	8.1%	11,430,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 140,575,000</b>	<b>\$ 90,938,000</b>	<b>\$ (3,540,000)</b>	<b>-2.5%</b>

#### 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	90,938,000	(3,540,000)	-3.7%
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	\$ 138,084,000	\$ 140,575,000	\$ (2,491,000)	-1.8%
% Received	\$ 135,308,000	\$ 140,575,000	\$ (5,267,000)	-3.7%

### 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	1,291,000	631,000	95.6%
Mar	6.8%	739,000			
Apr	7.4%	803,000			
May	8.4%	914,000			
Jun	9.1%	985,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 10,878,000</b>	<b>\$ 6,899,000</b>	<b>\$ (538,000)</b>	<b>-4.9%</b>

#### 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	6,899,000	(538,000)	-7.2%
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	\$ 12,835,000	\$ 10,878,000	\$ 1,957,000	18.0%
% Received	\$ 10,091,000	\$ 10,878,000	\$ (787,000)	-7.2%

### 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	12,349,000	488,000	4.1%
Mar	8.2%	12,457,000			
Apr	8.4%	12,699,000			
May	7.9%	11,967,000			
Jun	8.2%	12,415,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 151,453,000</b>	<b>\$ 97,837,000</b>	<b>\$ (4,078,000)</b>	<b>-2.7%</b>

#### 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	97,837,000	(4,078,000)	-4.0%
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	\$ 150,662,000	\$ 151,453,000	\$ (791,000)	-0.5%
% Received	\$ 145,393,000	\$ 151,453,000	\$ (6,060,000)	-4.0%