

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: August 25, 2023
SUBJECT: Tax Revenue Statistical Report – July 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 July 2023 report summarizes our analysis of the June sales activity reported to the Arizona Department of Revenue (ADOR).

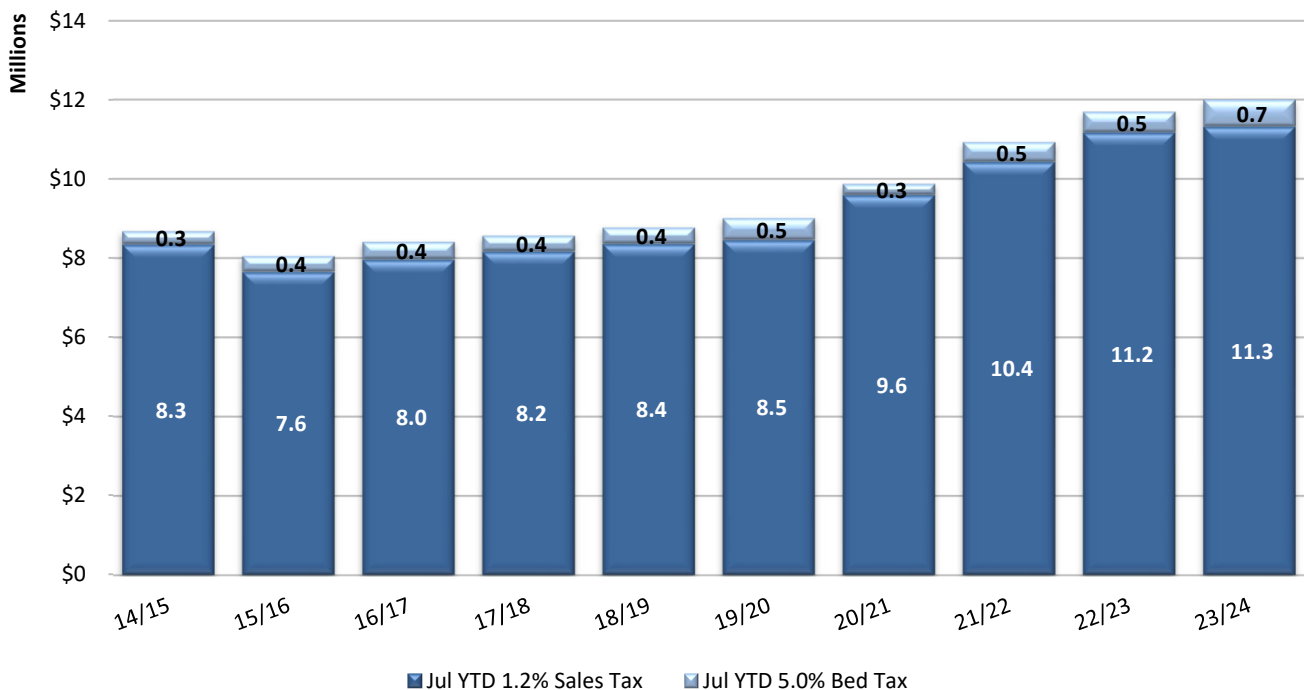
Overall Highlights

Total fiscal year to date taxable *sales* increased by 0.7% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 1.3% or \$218 thousand, due to growth in retail (\$458 thousand), combined hotel/motel and bed tax (\$210 thousand), and rental (\$209 thousand) 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

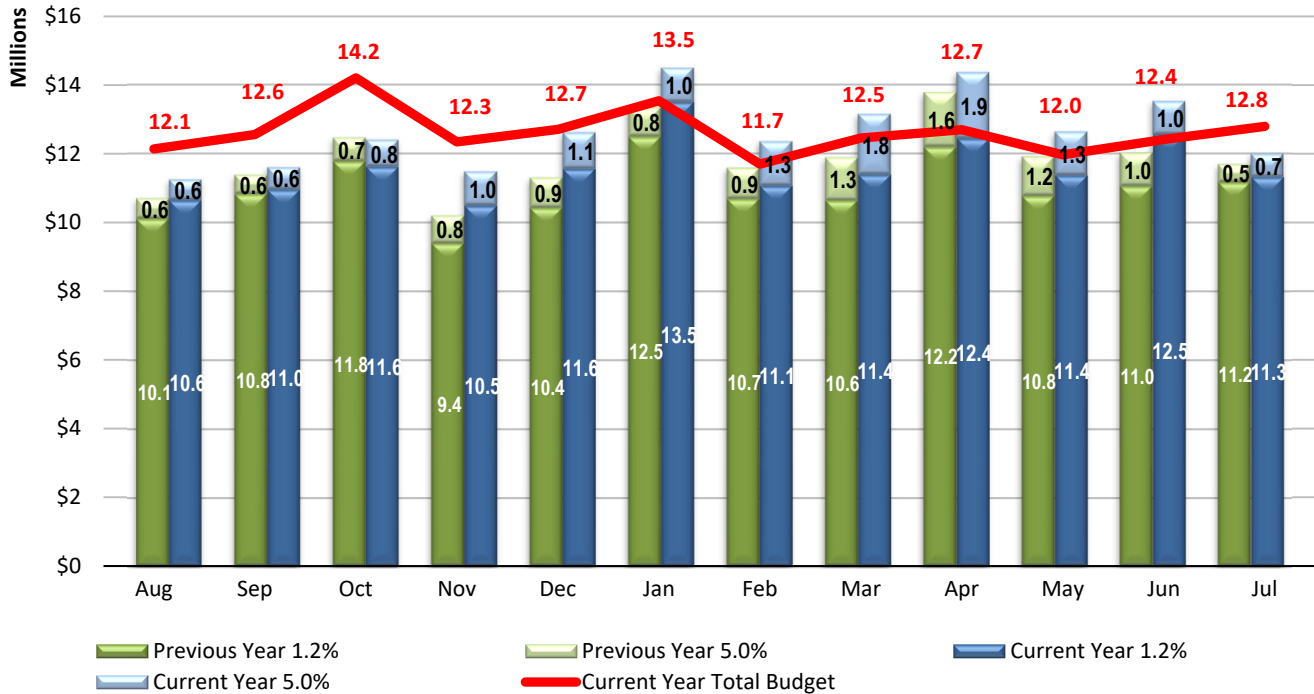
As the General Fund portion of the City’s sales and bed tax revenue collections represents the General Fund’s largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2014/15 through FY 2023/24. General Fund sales and bed tax revenue for FY 2023/24 is up 2.6% or \$307 thousand over the prior year to date period.

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



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 2023/24 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 2023/24 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 \$705 thousand below revenue projections, General Fund bed tax is \$104 thousand below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$809 thousand below the revenue projection.

- Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - July	2020-21	Change	2021-22	Change	2022-23	Change	2023-24	Change
Taxable Sales								
Total Taxable Sales	819,908,000	11.2%	899,126,000	9.7%	949,591,000	5.6%	956,149,000	0.7%
Retail Taxable Sales	460,741,000	14.7%	533,686,000	15.8%	491,946,000	-7.8%	524,337,000	6.6%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	9,587,000	13.4%	10,422,000	8.7%	11,160,000	7.1%	11,310,000	1.3%
Bed Tax (5.0%)	269,000	-50.6%	495,000	84.0%	524,000	5.9%	681,000	30.0%
Privilege Tax Rebates	187,000	-29.7%	249,000	33.2%	110,000	-55.8%	-	-100.0%
Total General Fund	10,043,000	8.4%	11,166,000	11.2%	11,794,000	5.6%	11,991,000	1.7%
Transit Fund								
Privilege Tax (0.5%)	3,995,000	13.4%	4,343,000	8.7%	4,650,000	7.1%	4,713,000	1.4%
Privilege Tax Rebates	78,000	-27.8%	104,000	33.3%	46,000	-55.8%	-	-100.0%
Total Transit Fund	4,073,000	12.1%	4,447,000	9.2%	4,696,000	5.6%	4,713,000	0.4%
Arts & Culture Fund								
Privilege Tax (0.1%)	815,000	12.3%	889,000	9.1%	939,000	5.6%	943,000	0.4%
Total Arts & Culture Fund	815,000	12.3%	889,000	9.1%	939,000	5.6%	943,000	0.4%
Totals	14,931,000	9.6%	16,502,000	10.5%	17,429,000	5.6%	17,647,000	1.3%
Tax Revenues by Business Activities								
Retail	8,293,000	14.7%	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%
Rentals	2,698,000	1.6%	3,084,000	14.3%	3,493,000	13.3%	3,702,000	6.0%
Utilities/Communication	710,000	7.1%	774,000	9.0%	759,000	-1.9%	770,000	1.4%
Restaurants	840,000	-22.1%	1,200,000	42.9%	1,317,000	9.8%	1,350,000	2.5%
Contracting	1,152,000	14.9%	863,000	-25.1%	998,000	15.6%	1,080,000	8.2%
Hotel/Motel	103,000	-49.8%	191,000	85.4%	196,000	2.6%	249,000	27.0%
Transient (Bed Tax)	269,000	-50.6%	495,000	84.0%	524,000	5.9%	681,000	30.0%
Non-Recurring Business Activities	726,000	2035.3%	74,000	-89.8%	1,087,000	1368.9%	273,000	-74.9%
Amusements	72,000	-51.4%	154,000	113.9%	139,000	-9.7%	156,000	12.2%
All Other	66,000	20.0%	60,000	-9.1%	60,000	0.0%	72,000	20.0%
Totals	14,931,000	9.6%	16,502,000	10.5%	17,429,000	5.6%	17,647,000	1.3%
Retail Tax Revenues by Activities								
Automotive	1,180,000	-1.7%	1,356,000	14.9%	1,360,000	0.3%	1,420,000	4.4%
Building Supply Stores	353,000	6.3%	431,000	22.1%	491,000	13.9%	409,000	-16.7%
Department Stores	1,029,000	6.4%	1,103,000	7.2%	1,162,000	5.3%	1,124,000	-3.3%
Drug/Small Stores	1,315,000	24.3%	1,384,000	5.2%	780,000	-43.6%	1,293,000	65.8%
Furniture/Equipment/Electronics	704,000	-5.0%	949,000	34.8%	287,000	-69.8%	521,000	81.5%
Grocery Stores	823,000	13.0%	828,000	0.6%	907,000	9.5%	941,000	3.7%
Manufacturing Firms	659,000	32.3%	950,000	44.2%	226,000	-76.2%	572,000	153.1%
All Other Retail	2,230,000	30.6%	2,605,000	16.8%	3,642,000	39.8%	3,033,000	-16.7%
Totals	8,293,000	14.7%	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%
Fiscal Year to Date - July	2020-21	Change	2021-22	Change	2022-23	Change	2023-24	Change
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Amusements	72,000	-51.4%	154,000	113.9%	139,000	-9.7%	156,000	12.2%
All Other	66,000	-99.5%	60,000	-9.1%	60,000	0.0%	72,000	20.0%
Totals	14,931,000	-45.2%	16,502,000	10.5%	17,429,000	5.6%	17,647,000	1.3%
Retail Tax Revenues by Activities								
Automotive	1,180,000	-1.7%	1,356,000	14.9%	1,360,000	0.3%	1,420,000	4.4%
Building Supply Stores	353,000	6.3%	431,000	22.1%	491,000	13.9%	409,000	-16.7%
Department Stores	1,029,000	6.4%	1,103,000	7.2%	1,162,000	5.3%	1,124,000	-3.3%
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Grocery Stores	823,000	13.0%	828,000	0.6%	907,000	9.5%	941,000	3.7%
Manufacturing Firms	659,000	32.3%	950,000	44.2%	226,000	-76.2%	572,000	153.1%
All Other Retail	2,230,000	30.6%	2,605,000	16.8%	3,642,000	39.8%	3,033,000	-16.7%
Totals	8,293,000	14.7%	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2023-24 Actual Compared to Budget

Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,015,000	\$ 11,310,000	\$ (705,000)	-5.9%
Aug	8.1%	11,727,000			
Sep	8.1%	11,714,000			
Oct	9.1%	13,172,000			
Nov	8.2%	11,844,000			
Dec	8.7%	12,522,000			
Jan	8.6%	12,494,000			
Feb	7.8%	11,284,000			
Mar	8.2%	11,832,000			
Apr	9.0%	13,031,000			
May	7.5%	10,924,000			
Jun	8.4%	12,163,000			
Totals	100.0%	\$ 144,722,000	\$ 11,310,000	\$ (705,000)	-0.5%

Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,015,000	\$ 11,310,000	\$ (705,000)	-5.9%
Jul-Aug	16.4%	23,742,000			
Jul-Sep	24.5%	35,456,000			
Jul-Oct	33.6%	48,628,000			
Jul-Nov	41.8%	60,472,000			
Jul-Dec	50.4%	72,994,000			
Jul-Jan	59.1%	85,488,000			
Jul-Feb	66.9%	96,772,000			
Jul-Mar	75.0%	108,604,000			
Jul-Apr	84.0%	121,635,000			
Jul-May	91.6%	132,559,000			
Jul-Jun	100.0%	144,722,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 140,515,000	\$ 144,722,000	\$ (4,207,000)	-2.9%
% Received	\$ 136,230,000	\$ 144,722,000	\$ (8,492,000)	-5.9%

Bed Tax Revenue - General Fund (5.0%) 2023-24 Actual Compared to Budget

Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	6.4%	\$ 785,000	\$ 681,000	\$ (104,000)	-13.2%
Aug	9.7%	1,188,000			
Sep	12.6%	1,549,000			
Oct	14.7%	1,807,000			
Nov	9.9%	1,220,000			
Dec	8.1%	996,000			
Jan	4.7%	583,000			
Feb	5.0%	617,000			
Mar	5.8%	712,000			
Apr	6.9%	848,000			
May	7.9%	974,000			
Jun	8.3%	1,022,000			
Totals	100.0%	\$ 12,301,000	\$ 681,000	\$ (104,000)	-0.8%

Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	6.4%	\$ 785,000	\$ 681,000	\$ (104,000)	-13.2%
Jul-Aug	16.0%	1,973,000			
Jul-Sep	28.6%	3,522,000			
Jul-Oct	43.3%	5,329,000			
Jul-Nov	53.2%	6,549,000			
Jul-Dec	61.3%	7,545,000			
Jul-Jan	66.1%	8,128,000			
Jul-Feb	71.1%	8,745,000			
Jul-Mar	76.9%	9,457,000			
Jul-Apr	83.8%	10,305,000			
Jul-May	91.7%	11,279,000			
Jul-Jun	100.0%	12,301,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 16,672,000	\$ 12,301,000	\$ 4,371,000	35.5%
% Received	\$ 10,671,000	\$ 12,301,000	\$ (1,630,000)	-13.3%

Total General Fund Tax Revenue 2023-24 Actual Compared to Budget

Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 12,800,000	\$ 11,991,000	\$ (809,000)	-6.3%
Aug	8.2%	12,915,000			
Sep	8.4%	13,263,000			
Oct	9.5%	14,979,000			
Nov	8.3%	13,064,000			
Dec	8.6%	13,518,000			
Jan	8.3%	13,077,000			
Feb	7.6%	11,901,000			
Mar	8.0%	12,544,000			
Apr	8.8%	13,879,000			
May	7.6%	11,898,000			
Jun	8.4%	13,185,000			
Totals	100.0%	\$ 157,023,000	\$ 11,991,000	\$ (809,000)	-0.5%

Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 12,800,000	\$ 11,991,000	\$ (809,000)	-6.3%
Jul-Aug	16.4%	25,715,000			
Jul-Sep	24.8%	38,978,000			
Jul-Oct	34.4%	53,957,000			
Jul-Nov	42.7%	67,021,000			
Jul-Dec	51.3%	80,539,000			
Jul-Jan	59.6%	93,616,000			
Jul-Feb	67.2%	105,517,000			
Jul-Mar	75.2%	118,061,000			
Jul-Apr	84.0%	131,940,000			
Jul-May	91.6%	143,838,000			
Jul-Jun	100.0%	157,023,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 155,459,000	\$ 157,023,000	\$ (1,564,000)	-1.0%
% Received	\$ 147,099,000	\$ 157,023,000	\$ (9,924,000)	-6.3%