

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
Ben Beutler, Budget Director
DATE: August 31, 2024
SUBJECT: Tax Revenue Statistical Report – July 2024

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%) 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 2024 report summarizes our analysis of the June sales activity reported to the Arizona Department of Revenue (ADOR).

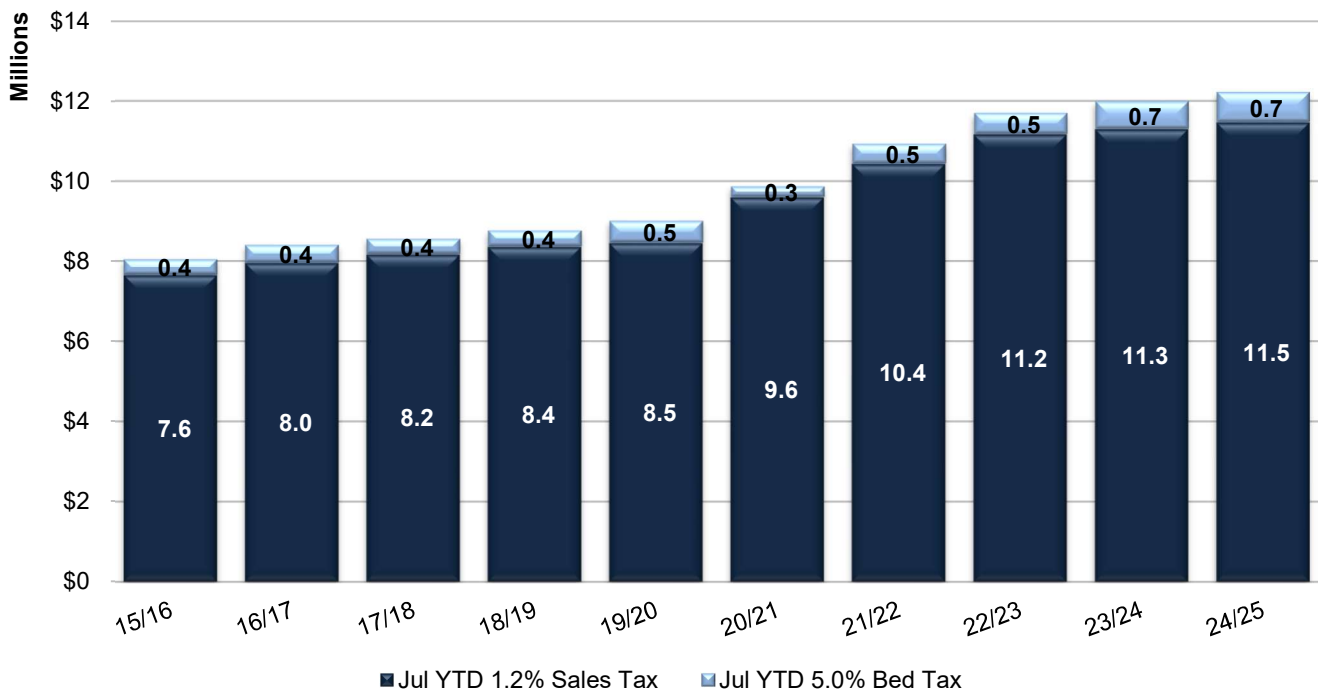
Overall Highlights

Total fiscal year to date taxable *sales* increased by 1.7% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 2.1% or \$366 thousand, due to growth in rentals (\$436 thousand), combined hotel/motel and transient lodging (\$155 thousand), and contracting (\$145 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.

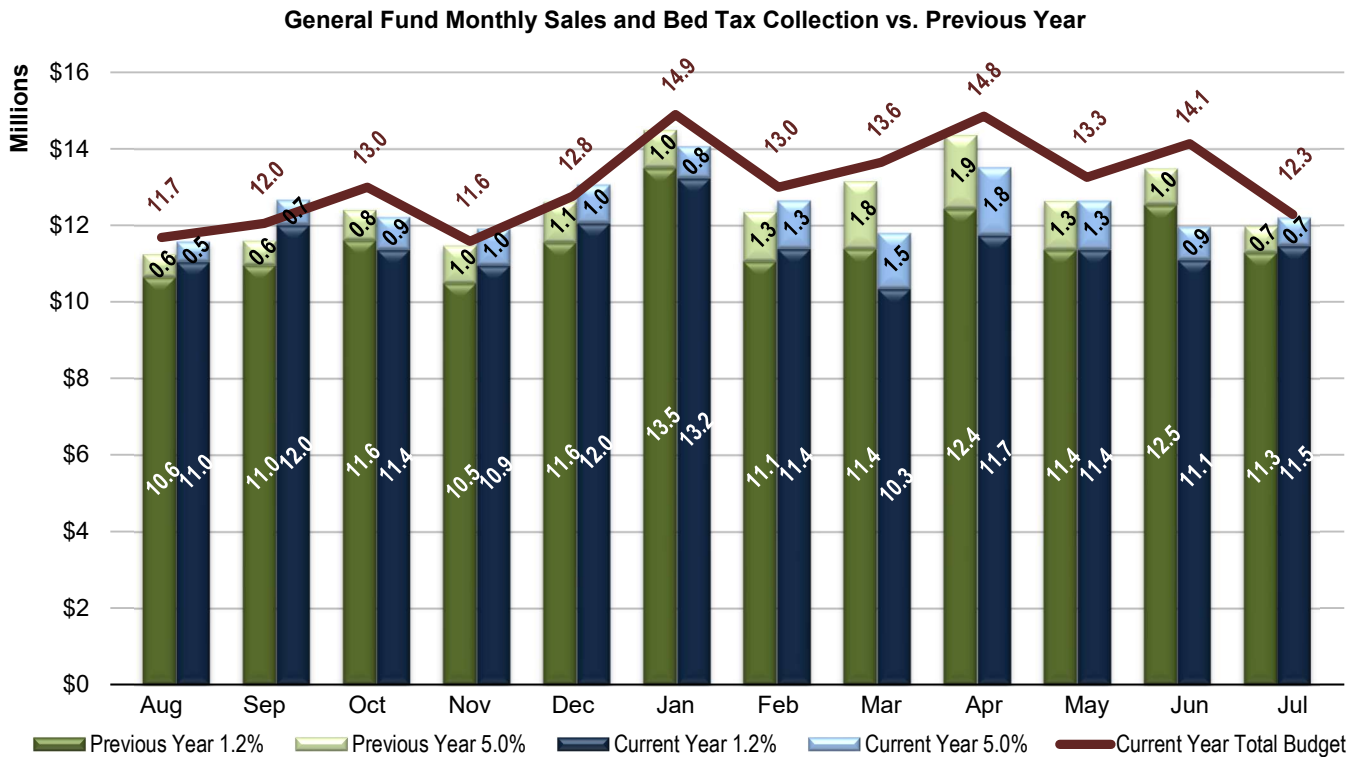
General Fund Highlights

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 2015/16 through FY 2024/25. General Fund sales and bed tax revenue for FY 2024/25 is up 1.9% or \$232 thousand over the prior year to date period.

General Fund Year to Date Sales and Bed Tax Collections YTD



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 2024/25 adopted budget for the combined sales and bed tax, as noted in the graph below.



Finally, the MBO prepares the attached Actual to Budget Comparison report that provides a summary of FY 2024/25 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 monthly, 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 \$127 thousand below revenue projections, General Fund bed tax is \$46 thousand above projections, and the combined General Fund sales and bed tax collections for the General Fund are \$81 thousand below the revenue projection.

As detailed above, July sales and bed tax collections are slightly below revenue projections. The Municipal Budget Office is closely monitoring revenues. If sales and bed tax collections continue to be below budget, the city will revise revenue projections in the long-range forecast presented to Council in November and February and if necessary, make budget adjustments to maintain financial stability, while also ensuring the continuity of programs and service delivery for residents.

Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - July	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
Taxable Sales								
Total Taxable Sales	899,126,000	9.7%	949,591,000	5.6%	956,149,000	0.7%	972,766,000	1.7%
Retail Taxable Sales	533,686,000	15.8%	491,946,000	-7.8%	524,337,000	6.6%	503,099,000	-4.1%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	10,422,000	8.7%	11,160,000	7.1%	11,283,000	1.1%	11,454,000	1.5%
Bed Tax (5.0%)	495,000	84.0%	524,000	5.9%	688,000	31.3%	749,000	8.9%
Privilege Tax Rebates	249,000	33.2%	110,000	-55.8%	21,000	-80.9%	56,000	166.7%
Total General Fund	11,166,000	11.2%	11,794,000	5.6%	11,992,000	1.7%	12,259,000	2.2%
Transit Fund								
Privilege Tax (0.5%)	4,343,000	8.7%	4,650,000	7.1%	4,713,000	1.4%	4,796,000	1.8%
Privilege Tax Rebates	104,000	33.3%	46,000	-55.8%	-	-100.0%	-	0.0%
Total Transit Fund	4,447,000	9.2%	4,696,000	5.6%	4,713,000	0.4%	4,796,000	1.8%
Arts & Culture Fund								
Privilege Tax (0.1%)	889,000	9.1%	939,000	5.6%	943,000	0.4%	959,000	1.7%
Total Arts & Culture Fund	889,000	9.1%	939,000	5.6%	943,000	0.4%	959,000	1.7%
Totals	16,502,000	10.5%	17,429,000	5.6%	17,648,000	1.3%	18,014,000	2.1%
Tax Revenues by Business Activities								
Retail	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%	9,056,000	-2.8%
Rentals	3,084,000	14.3%	3,493,000	13.3%	3,702,000	6.0%	4,138,000	11.8%
Utilities/Communication	774,000	9.0%	759,000	-1.9%	770,000	1.4%	825,000	7.1%
Restaurants	1,200,000	42.9%	1,317,000	9.8%	1,350,000	2.5%	1,456,000	7.9%
Contracting	863,000	-25.1%	998,000	15.6%	1,080,000	8.2%	1,225,000	13.4%
Hotel/Motel	191,000	85.4%	196,000	2.6%	249,000	27.0%	298,000	19.7%
Transient (Bed Tax)	495,000	84.0%	524,000	5.9%	681,000	30.0%	787,000	15.6%
Non-Recurring Business Activities	74,000	-89.8%	1,087,000	1368.9%	273,000	-74.9%	-	-100.0%
Amusements	154,000	113.9%	139,000	-9.7%	156,000	12.2%	154,000	-1.3%
All Other	60,000	-11.8%	60,000	0.0%	72,000	20.0%	74,000	2.8%
Totals	16,502,000	10.5%	17,429,000	5.6%	17,648,000	1.3%	18,014,000	2.1%
Retail Tax Revenues by Activities								
Automotive	1,356,000	14.9%	1,360,000	0.3%	1,420,000	4.4%	1,195,000	-15.8%
Building Supply Stores	431,000	22.1%	491,000	13.9%	409,000	-16.7%	365,000	-10.8%
Department Stores	1,103,000	7.2%	1,162,000	5.3%	1,124,000	-3.3%	1,120,000	-0.4%
Drug/Small Stores	1,384,000	5.2%	780,000	-43.6%	1,293,000	65.8%	1,258,000	-2.7%
Furniture/Equipment/Electronics	949,000	34.8%	287,000	-69.8%	521,000	81.5%	647,000	24.2%
Grocery Stores	828,000	0.6%	907,000	9.5%	941,000	3.7%	892,000	-5.2%
Manufacturing Firms	950,000	44.2%	226,000	-76.2%	572,000	153.1%	619,000	8.2%
All Other Retail	2,605,000	16.8%	3,642,000	39.8%	3,033,000	-16.7%	2,960,000	-2.4%
Totals	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%	9,056,000	-2.8%
Fiscal Year to Date - July								
	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
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All Other Retail	2,605,000	16.8%	3,642,000	39.8%	3,033,000	-16.7%	2,960,000	-2.4%
Totals	9,606,000	15.8%	8,855,000	-7.8%	9,313,000	5.2%	9,056,000	-2.8%

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 11,581,000	\$ 11,454,000	\$ (127,000)	-1.1%
Aug	7.6%	10,784,000			
Sep	8.5%	12,031,000			
Oct	8.5%	12,117,000			
Nov	7.7%	10,996,000			
Dec	8.7%	12,365,000			
Jan	9.8%	13,891,000			
Feb	8.3%	11,792,000			
Mar	8.0%	11,317,000			
Apr	8.8%	12,484,000			
May	7.9%	11,175,000			
Jun	8.1%	11,534,000			
Totals	100.0%	\$ 142,067,000	\$ 11,454,000	\$ (127,000)	-0.1%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 11,581,000	\$ 11,454,000	\$ (127,000)	-1.1%
Jul-Aug	15.7%	22,365,000			
Jul-Sep	24.2%	34,396,000			
Jul-Oct	32.7%	46,513,000			
Jul-Nov	40.5%	57,509,000			
Jul-Dec	49.2%	69,874,000			
Jul-Jan	59.0%	83,765,000			
Jul-Feb	67.3%	95,557,000			
Jul-Mar	75.2%	106,874,000			
Jul-Apr	84.0%	119,358,000			
Jul-May	91.9%	130,533,000			
Jul-Jun	100.0%	142,067,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 139,870,000	\$ 142,067,000	\$ (2,197,000)	-1.5%
% Received	\$ 140,509,000	\$ 142,067,000	\$ (1,558,000)	-1.1%

Bed Tax Revenue - General Fund (5.0%) 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	4.8%	\$ 703,000	\$ 749,000	\$ 46,000	6.5%
Aug	4.7%	682,000			
Sep	5.4%	790,000			
Oct	6.8%	993,000			
Nov	8.0%	1,168,000			
Dec	8.5%	1,244,000			
Jan	7.7%	1,121,000			
Feb	10.3%	1,501,000			
Mar	13.1%	1,903,000			
Apr	14.5%	2,108,000			
May	9.3%	1,356,000			
Jun	6.8%	997,000			
Totals	100.0%	\$ 14,566,000	\$ 749,000	\$ 46,000	0.3%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	4.8%	\$ 703,000	\$ 749,000	\$ 46,000	6.5%
Jul-Aug	9.5%	1,385,000			
Jul-Sep	14.9%	2,175,000			
Jul-Oct	21.7%	3,168,000			
Jul-Nov	29.8%	4,336,000			
Jul-Dec	38.3%	5,580,000			
Jul-Jan	46.0%	6,701,000			
Jul-Feb	56.3%	8,202,000			
Jul-Mar	69.4%	10,105,000			
Jul-Apr	83.8%	12,213,000			
Jul-May	93.2%	13,569,000			
Jul-Jun	100.0%	14,566,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 13,294,000	\$ 14,566,000	\$ (1,272,000)	-8.7%
% Received	\$ 15,519,000	\$ 14,566,000	\$ 953,000	6.5%

Total General Fund Tax Revenue 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.8%	\$ 12,284,000	\$ 12,203,000	\$ (81,000)	-0.7%
Aug	7.3%	11,466,000			
Sep	8.2%	12,821,000			
Oct	8.4%	13,110,000			
Nov	7.8%	12,164,000			
Dec	8.7%	13,609,000			
Jan	9.6%	15,012,000			
Feb	8.5%	13,293,000			
Mar	8.4%	13,220,000			
Apr	9.3%	14,592,000			
May	8.0%	12,531,000			
Jun	8.0%	12,531,000			
Totals	100.0%	\$ 156,633,000	\$ 12,203,000	\$ (81,000)	-0.1%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.8%	\$ 12,284,000	\$ 12,203,000	\$ (81,000)	-0.7%
Jul-Aug	15.2%	23,750,000			
Jul-Sep	23.3%	36,571,000			
Jul-Oct	31.7%	49,681,000			
Jul-Nov	39.5%	61,845,000			
Jul-Dec	48.2%	75,454,000			
Jul-Jan	57.8%	90,466,000			
Jul-Feb	66.2%	103,759,000			
Jul-Mar	74.7%	116,979,000			
Jul-Apr	84.0%	131,571,000			
Jul-May	92.0%	144,102,000			
Jul-Jun	100.0%	156,633,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 152,900,000	\$ 156,633,000	\$ (3,733,000)	-2.4%
% Received	\$ 155,600,000	\$ 156,633,000	\$ (1,033,000)	-0.7%