

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
DATE: October 25, 2024
SUBJECT: Tax Revenue Statistical Report – August 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 August 2024 report summarizes our analysis of the July sales activity reported to the Arizona Department of Revenue (ADOR).

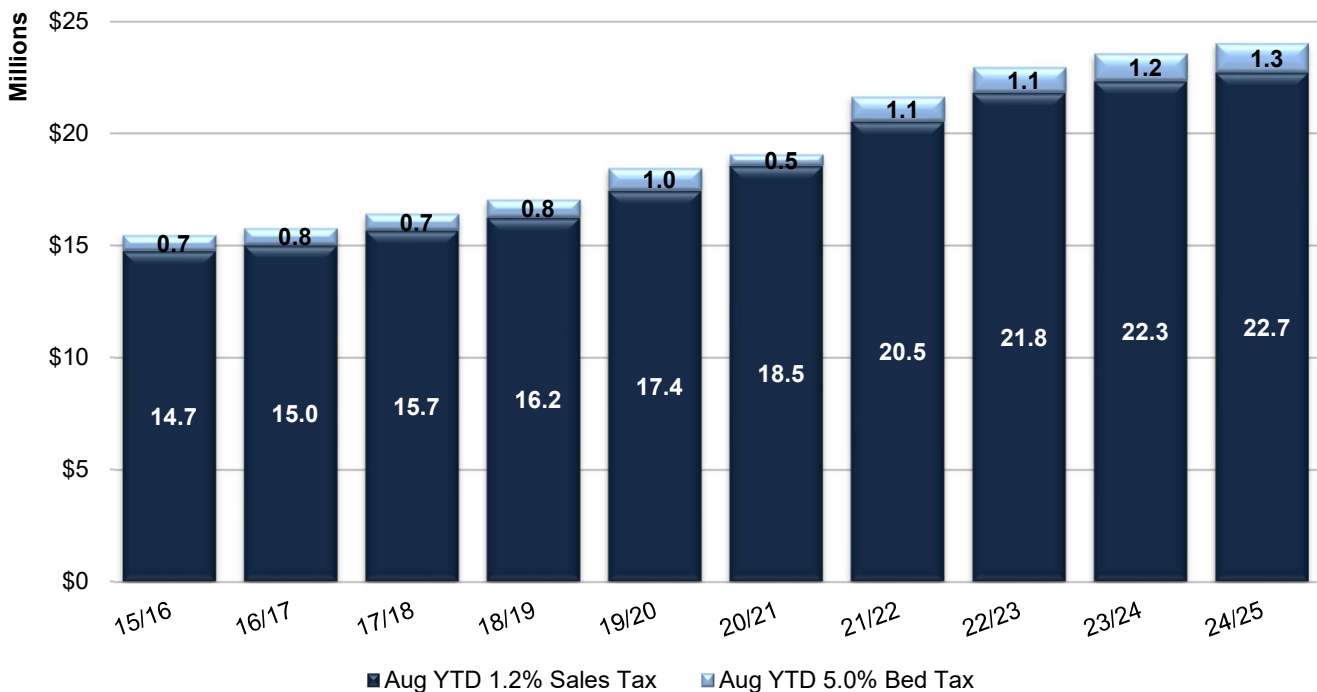
Overall Highlights

Total fiscal year to date taxable *sales* increased by 1.9% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 2.1% or \$717 thousand, due to growth in retail (\$1.3 million), rentals (\$588 thousand), and contracting (\$491 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.

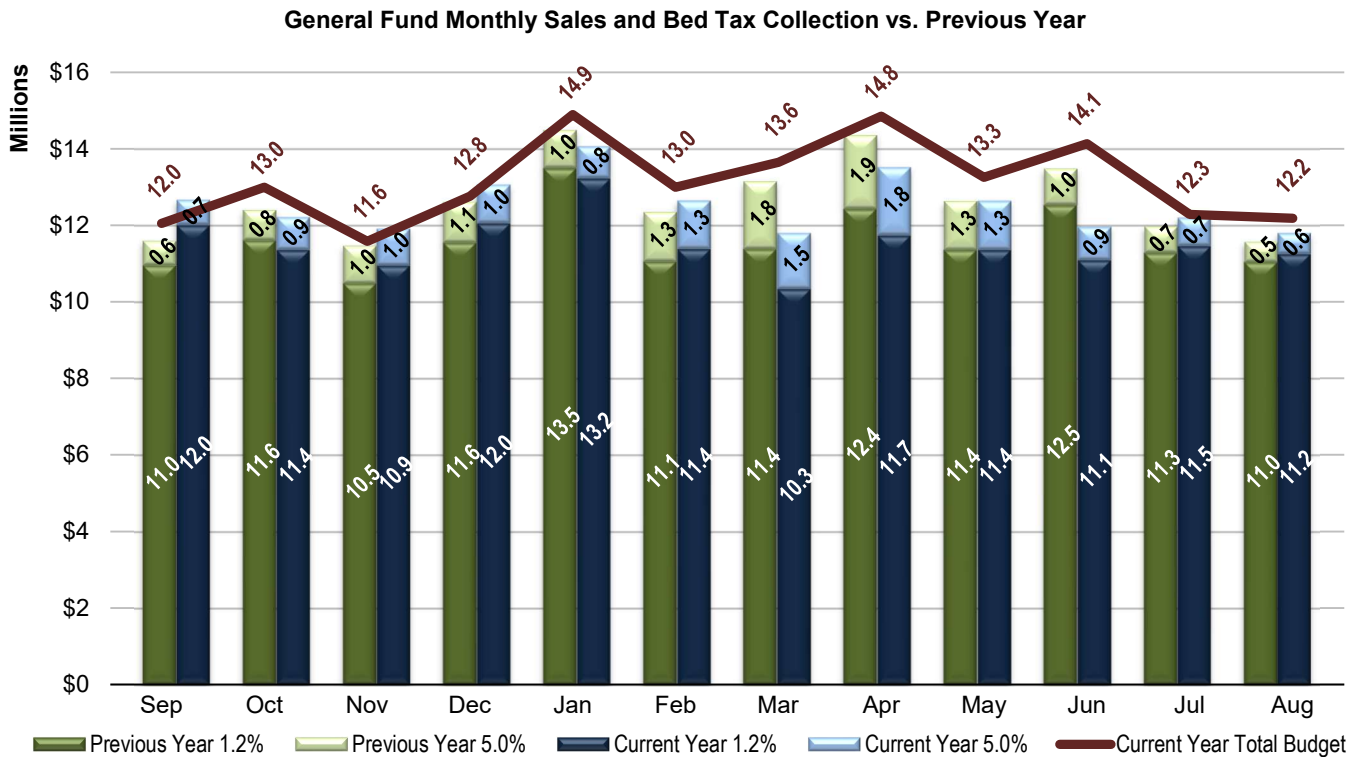
General Fund Highlights

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 \$458 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 \$383 thousand below revenue projections and the General Fund bed tax is \$85 thousand below projections, which results in the combined General Fund sales and bed tax collections for the General Fund being \$468 thousand below the revenue projection.

As detailed above, August 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

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 | 8.1% | 11,502,000 | 11,246,000 | (256,000) | -2.2% |
| Sep | 9.0% | 12,833,000 | | | |
| Oct | 9.1% | 12,925,000 | | | |
| Nov | 8.3% | 11,728,000 | | | |
| Dec | 9.3% | 13,189,000 | | | |
| Jan | 10.4% | 14,816,000 | | | |
| Feb | 7.5% | 10,663,000 | | | |
| Mar | 7.2% | 10,234,000 | | | |
| Apr | 7.9% | 11,289,000 | | | |
| May | 7.7% | 10,877,000 | | | |
| Jun | 7.3% | 10,430,000 | | | |
| Totals | 100.0% | \$ 142,067,000 | \$ 22,700,000 | \$ (383,000) | -0.3% |

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 | 16.2% | 23,083,000 | 22,700,000 | (383,000) | -1.7% |
| Jul-Sep | 25.3% | 35,916,000 | | | |
| Jul-Oct | 34.4% | 48,841,000 | | | |
| Jul-Nov | 42.6% | 60,569,000 | | | |
| Jul-Dec | 51.9% | 73,758,000 | | | |
| Jul-Jan | 62.3% | 88,574,000 | | | |
| Jul-Feb | 69.9% | 99,237,000 | | | |
| Jul-Mar | 77.1% | 109,471,000 | | | |
| Jul-Apr | 85.0% | 120,760,000 | | | |
| Jul-May | 92.7% | 131,637,000 | | | |
| 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 | \$ 140,128,000 | \$ 142,067,000 | \$ (1,939,000) | -1.4% |
| % Received | \$ 139,710,000 | \$ 142,067,000 | \$ (2,357,000) | -1.7% |

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 | \$ 748,000 | \$ 45,000 | 6.4% |
| Aug | 4.7% | 682,000 | 552,000 | (130,000) | -19.1% |
| 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 | \$ 1,300,000 | \$ (85,000) | -0.6% |

Cumulative Amounts

| | 2024-25 Budget | | 2024-25 Actual | Over / (Under) | |
|---------|----------------|------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 4.8% | \$ 703,000 | \$ 748,000 | \$ 45,000 | 6.4% |
| Jul-Aug | 9.5% | 1,385,000 | 1,300,000 | (85,000) | -6.1% |
| 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 | \$ 12,990,000 | \$ 14,566,000 | \$ (1,576,000) | -10.8% |
| % Received | \$ 13,672,000 | \$ 14,566,000 | \$ (894,000) | -6.1% |

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 | \$ 12,202,000 | \$ (82,000) | -0.7% |
| Aug | 7.8% | 12,184,000 | 11,798,000 | (386,000) | -3.2% |
| Sep | 8.7% | 13,623,000 | | | |
| Oct | 8.9% | 13,918,000 | | | |
| Nov | 8.2% | 12,896,000 | | | |
| Dec | 9.2% | 14,433,000 | | | |
| Jan | 10.2% | 15,937,000 | | | |
| Feb | 7.8% | 12,164,000 | | | |
| Mar | 7.7% | 12,137,000 | | | |
| Apr | 8.6% | 13,397,000 | | | |
| May | 7.8% | 12,233,000 | | | |
| Jun | 7.3% | 11,427,000 | | | |
| Totals | 100.0% | \$ 156,633,000 | \$ 24,000,000 | \$ (468,000) | -0.3% |

Cumulative Amounts

| | 2024-25 Budget | | 2024-25 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 7.8% | \$ 12,284,000 | \$ 12,202,000 | \$ (82,000) | -0.7% |
| Jul-Aug | 15.6% | 24,468,000 | 24,000,000 | (468,000) | -1.9% |
| Jul-Sep | 24.3% | 38,091,000 | | | |
| Jul-Oct | 33.2% | 52,009,000 | | | |
| Jul-Nov | 41.4% | 64,905,000 | | | |
| Jul-Dec | 50.7% | 79,338,000 | | | |
| Jul-Jan | 60.8% | 95,275,000 | | | |
| Jul-Feb | 68.6% | 107,439,000 | | | |
| Jul-Mar | 76.3% | 119,576,000 | | | |
| Jul-Apr | 84.9% | 132,973,000 | | | |
| Jul-May | 92.7% | 145,206,000 | | | |
| 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 | \$ 152,911,000 | \$ 156,633,000 | \$ (3,722,000) | -2.4% |
| % Received | \$ 153,637,000 | \$ 156,633,000 | \$ (2,996,000) | -1.9% |

Executive Summary

| Current Month - August | 2021-22 | | Change | | 2022-23 | | Change | | 2023-24 | | Change | | 2024-25 | | Change | |
|--|-------------------|---------------|-------------------|--------------|-------------------|---------------|-------------------|--------------|---------|--|--------|--|---------|--|--------|--|
| Taxable Sales | | | | | | | | | | | | | | | | |
| Total Taxable Sales | 871,978,000 | 14.1% | 924,817,000 | 6.1% | 931,468,000 | 0.7% | 950,002,000 | 2.0% | | | | | | | | |
| Retail Taxable Sales | 517,703,000 | 16.6% | 503,402,000 | -2.8% | 529,761,000 | 5.2% | 506,823,000 | -4.3% | | | | | | | | |
| Tax Revenues by Fund | | | | | | | | | | | | | | | | |
| General Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (1.2%) | 10,099,000 | 12.8% | 10,641,000 | 5.4% | 11,037,000 | 3.7% | 11,246,000 | 1.9% | | | | | | | | |
| Bed Tax (5.0%) | 597,000 | 153.0% | 602,000 | 0.8% | 535,000 | -11.1% | 552,000 | 3.2% | | | | | | | | |
| Privilege Tax Rebates | 222,000 | 42.3% | 312,000 | 40.5% | 22,000 | -92.9% | 30,000 | 36.4% | | | | | | | | |
| Total General Fund | 10,918,000 | 16.8% | 11,555,000 | 5.8% | 11,594,000 | 0.3% | 11,828,000 | 2.0% | | | | | | | | |
| Transit Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (0.5%) | 4,208,000 | 12.8% | 4,434,000 | 5.4% | 4,603,000 | 3.8% | 4,698,000 | 2.1% | | | | | | | | |
| Privilege Tax Rebates | 92,000 | 41.5% | 130,000 | 41.3% | - | -100.0% | - | 0.0% | | | | | | | | |
| Total Transit Fund | 4,300,000 | 13.3% | 4,564,000 | 6.1% | 4,603,000 | 0.9% | 4,698,000 | 2.1% | | | | | | | | |
| Arts & Culture Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (0.1%) | 860,000 | 13.3% | 913,000 | 6.2% | 921,000 | 0.9% | 940,000 | 2.1% | | | | | | | | |
| Total Arts & Culture Fund | 860,000 | 13.3% | 913,000 | 6.2% | 921,000 | 0.9% | 940,000 | 2.1% | | | | | | | | |
| Totals | 16,078,000 | 15.7% | 17,032,000 | 5.9% | 17,118,000 | 0.5% | 17,466,000 | 2.0% | | | | | | | | |
| Tax Revenues by Business Activities | | | | | | | | | | | | | | | | |
| Retail | 9,319,000 | 16.6% | 9,061,000 | -2.8% | 7,602,000 | -16.1% | 9,123,000 | 20.0% | | | | | | | | |
| Rentals | 2,890,000 | 6.4% | 3,436,000 | 18.9% | 3,405,000 | -0.9% | 3,557,000 | 4.5% | | | | | | | | |
| Utilities/Communication | 851,000 | 1.6% | 964,000 | 13.3% | 822,000 | -14.7% | 1,079,000 | 31.3% | | | | | | | | |
| Restaurants | 1,235,000 | 66.4% | 1,294,000 | 4.8% | 1,321,000 | 2.1% | 1,311,000 | -0.8% | | | | | | | | |
| Contracting | 705,000 | -42.3% | 985,000 | 39.7% | 1,031,000 | 4.7% | 1,377,000 | 33.6% | | | | | | | | |
| Hotel/Motel | 231,000 | 159.6% | 242,000 | 4.8% | 225,000 | -7.0% | 224,000 | -0.4% | | | | | | | | |
| Transient (Bed Tax) | 597,000 | 153.0% | 602,000 | 0.8% | 547,000 | -9.1% | 572,000 | 4.6% | | | | | | | | |
| Non-Recurring Business Activities | 73,000 | 100.0% | 200,000 | 174.0% | 1,945,000 | 872.5% | - | -100.0% | | | | | | | | |
| Amusements | 117,000 | 588.2% | 188,000 | 60.7% | 175,000 | -6.9% | 157,000 | -10.3% | | | | | | | | |
| All Other | 60,000 | 20.0% | 60,000 | 0.0% | 45,000 | -25.0% | 67,000 | 48.9% | | | | | | | | |
| Totals | 16,078,000 | 15.7% | 17,032,000 | 5.9% | 17,118,000 | 0.5% | 17,466,000 | 2.0% | | | | | | | | |
| Retail Tax Revenues by Activities | | | | | | | | | | | | | | | | |
| Automotive | 1,367,000 | 24.0% | 1,350,000 | -1.2% | 1,911,000 | 41.6% | 1,299,000 | -32.0% | | | | | | | | |
| Building Supply Stores | 401,000 | 11.1% | 436,000 | 8.7% | 421,000 | -3.4% | 435,000 | 3.3% | | | | | | | | |
| Department Stores | 1,088,000 | 20.5% | 1,150,000 | 5.7% | 1,146,000 | -0.3% | 1,114,000 | -2.8% | | | | | | | | |
| Drug/Small Stores | 1,211,000 | -2.6% | 1,286,000 | 6.2% | 1,312,000 | 2.0% | 1,229,000 | -6.3% | | | | | | | | |
| Furniture/Equipment/Electronics | 739,000 | 1.5% | 550,000 | -25.6% | 343,000 | -37.6% | 694,000 | 102.3% | | | | | | | | |
| Grocery Stores | 733,000 | -12.0% | 823,000 | 12.3% | 915,000 | 11.2% | 923,000 | 0.9% | | | | | | | | |
| Manufacturing Firms | 726,000 | 32.0% | 417,000 | -42.6% | 440,000 | 5.5% | 448,000 | 1.8% | | | | | | | | |
| All Other Retail | 3,054,000 | 34.4% | 3,049,000 | -0.2% | 1,114,000 | -63.5% | 2,981,000 | 167.6% | | | | | | | | |
| Totals | 9,319,000 | 16.6% | 9,061,000 | -2.8% | 7,602,000 | -16.1% | 9,123,000 | 20.0% | | | | | | | | |
| Fiscal Year to Date - August | | | | | | | | | | | | | | | | |
| Taxable Sales | | | | | | | | | | | | | | | | |
| Total Taxable Sales | 1,771,104,000 | 11.8% | 1,874,408,000 | 5.8% | 1,887,616,000 | 0.7% | 1,922,768,000 | 1.9% | | | | | | | | |
| Retail Taxable Sales | 1,051,389,000 | 16.2% | 995,348,000 | -5.3% | 1,054,098,000 | 5.9% | 1,009,922,000 | -4.2% | | | | | | | | |
| Tax Revenues by Fund | | | | | | | | | | | | | | | | |
| General Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (1.2%) | 20,521,000 | 10.7% | 21,801,000 | 6.2% | 22,320,000 | 2.4% | 22,700,000 | 1.7% | | | | | | | | |
| Bed Tax (5.0%) | 1,092,000 | 116.2% | 1,127,000 | 3.2% | 1,222,000 | 8.4% | 1,300,000 | 6.4% | | | | | | | | |
| Privilege Tax Rebates | 470,000 | 36.6% | 422,000 | -10.2% | 42,000 | -90.0% | 86,000 | 104.8% | | | | | | | | |
| Total General Fund | 22,083,000 | 13.9% | 23,350,000 | 5.7% | 23,584,000 | 1.0% | 24,086,000 | 2.1% | | | | | | | | |
| Transit Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (0.5%) | 8,551,000 | 10.7% | 9,084,000 | 6.2% | 9,315,000 | 2.5% | 9,494,000 | 1.9% | | | | | | | | |
| Privilege Tax Rebates | 196,000 | 37.1% | 176,000 | -10.2% | - | -100.0% | - | 0.0% | | | | | | | | |
| Total Transit Fund | 8,747,000 | 11.2% | 9,260,000 | 5.9% | 9,315,000 | 0.6% | 9,494,000 | 1.9% | | | | | | | | |
| Arts & Culture Fund | | | | | | | | | | | | | | | | |
| Privilege Tax (0.1%) | 1,749,000 | 11.1% | 1,852,000 | 5.9% | 1,863,000 | 0.6% | 1,899,000 | 1.9% | | | | | | | | |
| Total Arts & Culture Fund | 1,749,000 | 11.1% | 1,852,000 | 5.9% | 1,863,000 | 0.6% | 1,899,000 | 1.9% | | | | | | | | |
| Totals | 32,579,000 | -43.5% | 34,462,000 | 5.8% | 34,762,000 | 0.9% | 35,479,000 | 2.1% | | | | | | | | |
| Tax Revenues by Business Activities | | | | | | | | | | | | | | | | |
| Retail | 18,925,000 | 16.2% | 17,916,000 | -5.3% | 16,915,000 | -5.6% | 18,179,000 | 7.5% | | | | | | | | |
| Rentals | 5,974,000 | 10.3% | 6,929,000 | 16.0% | 7,107,000 | 2.6% | 7,695,000 | 8.3% | | | | | | | | |
| Utilities/Communication | 1,625,000 | 5.0% | 1,722,000 | 6.0% | 1,592,000 | -7.5% | 1,904,000 | 19.6% | | | | | | | | |
| Restaurants | 2,434,000 | 53.9% | 2,611,000 | 7.3% | 2,671,000 | 2.3% | 2,767,000 | 3.6% | | | | | | | | |
| Contracting | 1,568,000 | -34.0% | 1,984,000 | 26.5% | 2,111,000 | 6.4% | 2,602,000 | 23.3% | | | | | | | | |
| Hotel/Motel | 422,000 | 119.8% | 437,000 | 3.6% | 474,000 | 8.5% | 522,000 | 10.1% | | | | | | | | |
| Transient (Bed Tax) | 1,092,000 | 116.2% | 1,127,000 | 3.2% | 1,228,000 | 9.0% | 1,359,000 | 10.7% | | | | | | | | |
| Non-Recurring Business Activities | 147,000 | -79.8% | 1,287,000 | 775.5% | 2,217,000 | 72.3% | - | -100.0% | | | | | | | | |
| Amusements | 272,000 | 205.6% | 327,000 | 20.2% | 331,000 | 1.2% | 311,000 | -6.0% | | | | | | | | |
| All Other | 120,000 | -99.6% | 121,000 | 0.8% | 117,000 | -3.3% | 141,000 | 20.5% | | | | | | | | |
| Totals | 32,579,000 | -43.5% | 34,462,000 | 5.8% | 34,762,000 | 0.9% | 35,479,000 | 2.1% | | | | | | | | |
| Retail Tax Revenues by Activities | | | | | | | | | | | | | | | | |
| Automotive | 2,723,000 | 19.3% | 2,710,000 | -0.5% | 3,331,000 | 22.9% | 2,493,000 | -25.2% | | | | | | | | |
| Building Supply Stores | 832,000 | 16.5% | 928,000 | 11.5% | 830,000 | -10.6% | 801,000 | -3.5% | | | | | | | | |
| Department Stores | 2,190,000 | 13.4% | 2,311,000 | 5.5% | 2,270,000 | -1.8% | 2,234,000 | -1.6% | | | | | | | | |
| Drug/Small Stores | 2,595,000 | 1.4% | 2,066,000 | -20.4% | 2,605,000 | 26.1% | 2,487,000 | -4.5% | | | | | | | | |
| Furniture/Equipment/Electronics | 1,688,000 | 18.0% | 837,000 | -50.4% | 864,000 | 3.2% | 1,342,000 | 55.3% | | | | | | | | |
| Grocery Stores | 1,561,000 | -5.8% | 1,730,000 | 10.8% | 1,856,000 | 7.3% | 1,815,000 | -2.2% | | | | | | | | |
| Manufacturing Firms | 1,676,000 | 38.6% | 643,000 | -61.6% | 1,012,000 | 57.4% | 1,067,000 | 5.4% | | | | | | | | |
| All Other Retail | 5,660,000 | 25.7% | 6,691,000 | 18.2% | 4,147,000 | -38.0% | 5,940,000 | 43.2% | | | | | | | | |
| Totals | 18,925,000 | 16.2% | 17,916,000 | -5.3% | 16,915,000 | -5.6% | 18,179,000 | 7.5% | | | | | | | | |