

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
DATE: November 22, 2024
SUBJECT: Tax Revenue Statistical Report – October 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 October 2024 report summarizes our analysis of the September sales activity reported to the Arizona Department of Revenue (ADOR).

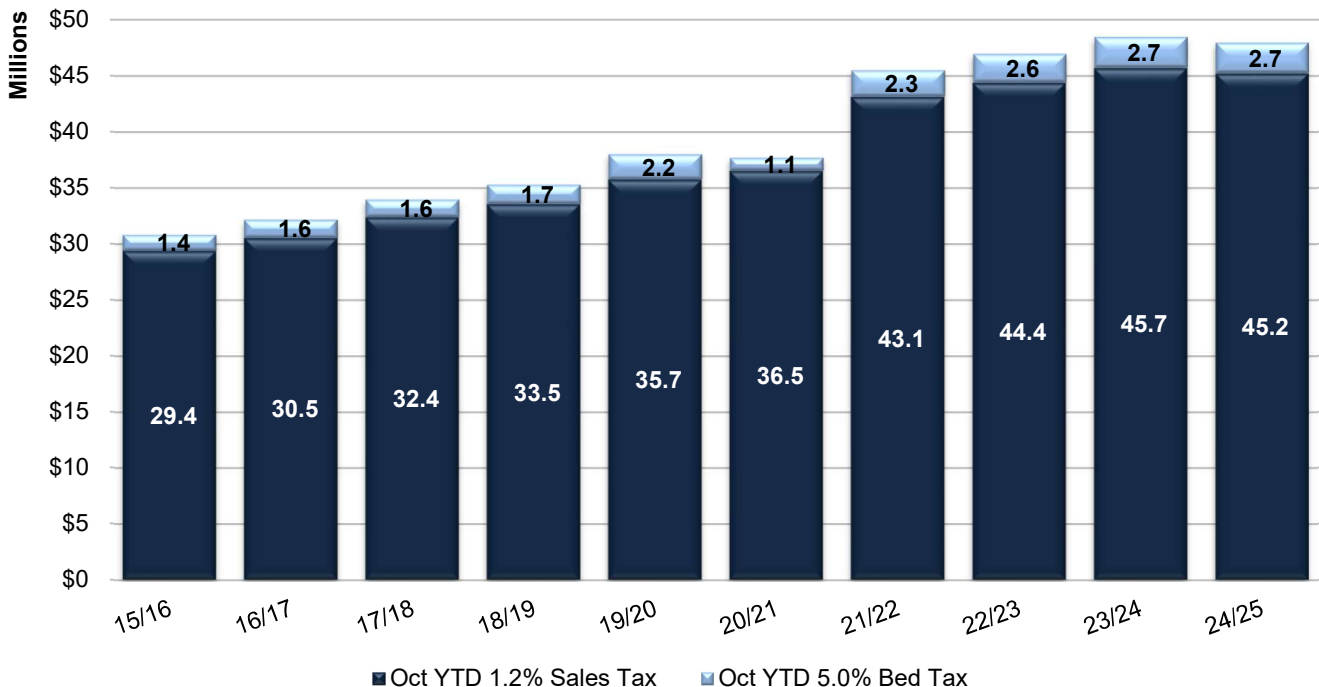
Overall Highlights

Total fiscal year to date taxable *sales* decreased by 1.0% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is down 1.0% or \$703 thousand, due to \$3.0 million of non-recurring business activities received in the prior year to date period. Otherwise, sales tax revenue grew in rentals (\$908 thousand), contracting (\$566 thousand), and utilities/communication (\$461 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.

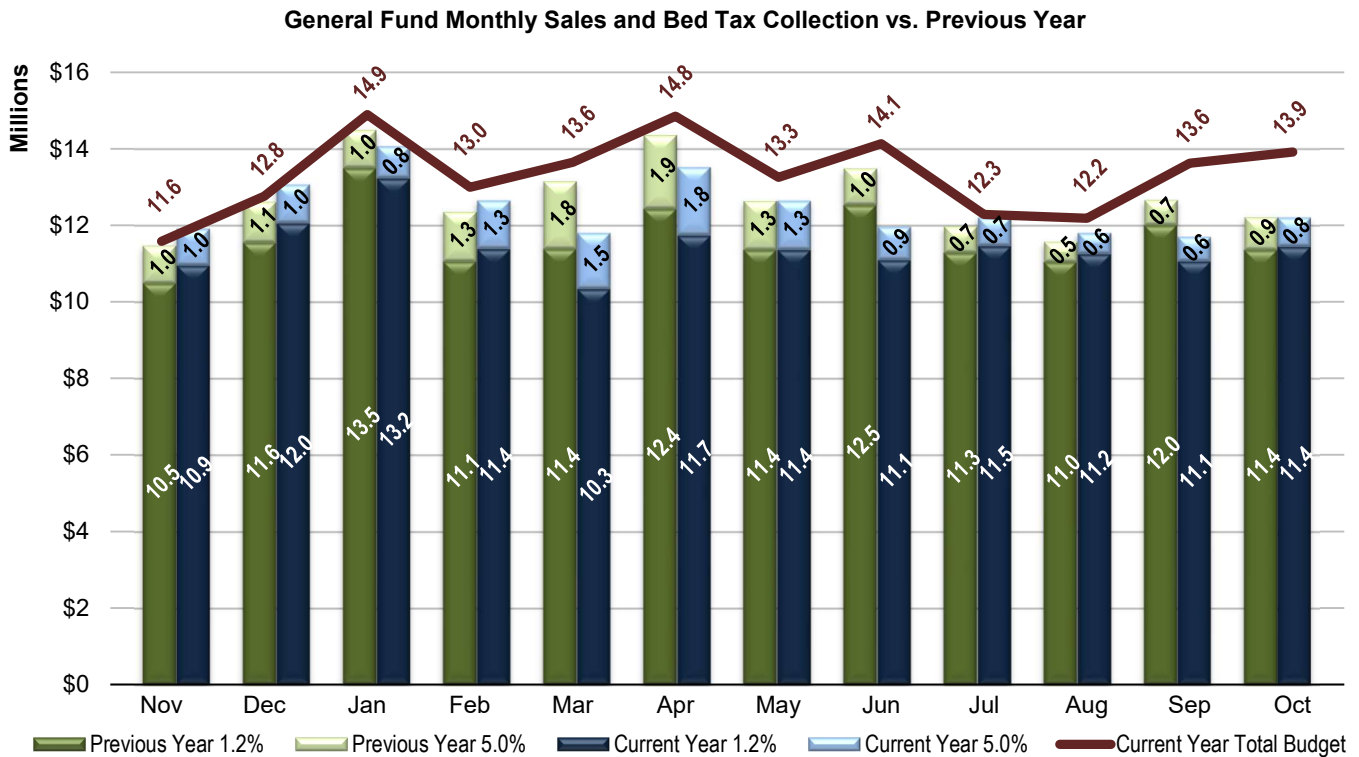
General Fund Highlights

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 down 1.1% or \$515 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 \$3.6 million below revenue projections and the General Fund bed tax is \$463 thousand below projections, which results in the combined General Fund sales and bed tax collections for the General Fund being \$4.1 million below the revenue projection.

As detailed above, October sales and bed tax collections are below budgeted revenue. The MBO lowered revenue projections in the November 2024 long-range forecast to reflect the current year-to-date trend. In addition, funding for recurring and non-recurring supplementals in the General Fund is suspended for three fiscal years, FY 2024/25 through FY 2026/27, to address the lower sales tax revenue and the loss of residential rental sales tax that will start in January 2025. The MBO will continue to closely monitor revenue from all sources and if there are further declines in revenue, additional budget balancing strategies will be introduced in the February 2025 long-range financial forecast to maintain financial stability.

Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - October	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
Taxable Sales								
Total Taxable Sales	1,012,979,000	29.9%	1,006,086,000	-0.7%	967,830,000	-3.8%	972,196,000	0.5%
Retail Taxable Sales	499,858,000	11.5%	507,711,000	1.6%	514,898,000	1.4%	494,705,000	-3.9%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	11,768,000	29.6%	11,608,000	-1.4%	11,355,000	-2.2%	11,437,000	0.7%
Bed Tax (5.0%)	685,000	112.1%	788,000	15.0%	854,000	8.4%	764,000	-10.5%
Privilege Tax Rebates	224,000	12.0%	276,000	23.2%	76,000	-72.5%	65,000	-14.5%
Total General Fund	12,677,000	32.1%	12,672,000	0.0%	12,285,000	-3.1%	12,266,000	-0.2%
Transit Fund								
Privilege Tax (0.5%)	4,903,000	29.6%	4,837,000	-1.3%	4,763,000	-1.5%	4,793,000	0.6%
Privilege Tax Rebates	93,000	12.0%	115,000	23.7%	-	-100.0%	-	0.0%
Total Transit Fund	4,996,000	29.3%	4,952,000	-0.9%	4,763,000	-3.8%	4,793,000	0.6%
Arts & Culture Fund								
Privilege Tax (0.1%)	999,000	29.2%	990,000	-0.9%	953,000	-3.7%	959,000	0.6%
Total Arts & Culture Fund	999,000	29.2%	990,000	-0.9%	953,000	-3.7%	959,000	0.6%
Totals	18,672,000	31.1%	18,614,000	-0.3%	18,001,000	-3.3%	18,018,000	0.1%
Tax Revenues by Business Activities								
Retail	8,997,000	11.5%	9,139,000	1.6%	8,511,000	-6.9%	8,905,000	4.6%
Rentals	3,137,000	7.8%	3,574,000	13.9%	3,750,000	4.9%	4,093,000	9.1%
Utilities/Communication	755,000	-10.1%	844,000	11.8%	934,000	10.7%	997,000	6.7%
Restaurants	1,321,000	43.9%	1,471,000	11.4%	1,472,000	0.1%	1,519,000	3.2%
Contracting	976,000	4.6%	836,000	-14.3%	1,013,000	21.2%	1,161,000	14.6%
Hotel/Motel	261,000	110.5%	305,000	16.9%	346,000	13.4%	302,000	-12.7%
Transient (Bed Tax)	685,000	112.1%	788,000	15.0%	907,000	15.1%	809,000	-10.8%
Non-Recurring Business Activities	2,309,000	230800.0%	1,417,000	-38.6%	769,000	-45.7%	1,000	-99.9%
Amusements	104,000	60.0%	120,000	15.4%	175,000	45.8%	140,000	-20.0%
All Other	126,000	147.1%	119,000	-5.6%	124,000	4.2%	90,000	-27.4%
Totals	18,672,000	31.1%	18,614,000	-0.3%	18,001,000	-3.3%	18,018,000	0.1%
Retail Tax Revenues by Activities								
Automotive	1,266,000	6.2%	1,511,000	19.4%	1,852,000	22.6%	1,219,000	-34.2%
Building Supply Stores	374,000	11.6%	416,000	11.2%	362,000	-13.0%	372,000	2.8%
Department Stores	1,058,000	8.5%	1,146,000	8.3%	1,107,000	-3.4%	1,058,000	-4.4%
Drug/Small Stores	1,357,000	3.4%	1,358,000	0.1%	1,236,000	-9.0%	1,320,000	6.8%
Furniture/Equipment/Electronics	602,000	-1.6%	(469,000)	-177.9%	350,000	-174.6%	613,000	75.1%
Grocery Stores	859,000	-0.9%	915,000	6.5%	959,000	4.8%	939,000	-2.1%
Manufacturing Firms	627,000	3.5%	568,000	-9.4%	429,000	-24.5%	472,000	10.0%
All Other Retail	2,854,000	31.4%	3,694,000	29.4%	2,216,000	-40.0%	2,912,000	31.4%
Totals	8,997,000	11.5%	9,139,000	1.6%	8,511,000	-6.9%	8,905,000	4.6%
Fiscal Year to Date - October								
	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
Taxable Sales								
Total Taxable Sales	3,716,240,000	18.9%	3,828,759,000	3.0%	3,871,683,000	1.1%	3,832,124,000	-1.0%
Retail Taxable Sales	2,115,148,000	17.6%	2,034,824,000	-3.8%	2,153,461,000	5.8%	2,016,850,000	-6.3%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	43,108,000	18.0%	44,359,000	2.9%	45,673,000	3.0%	45,192,000	-1.1%
Bed Tax (5.0%)	2,336,000	107.1%	2,561,000	9.6%	2,739,000	7.0%	2,705,000	-1.2%
Privilege Tax Rebates	927,000	26.8%	971,000	4.7%	171,000	-82.4%	204,000	19.3%
Total General Fund	46,371,000	20.8%	47,891,000	3.3%	48,583,000	1.4%	48,101,000	-1.0%
Transit Fund								
Privilege Tax (0.5%)	17,962,000	18.0%	18,483,000	2.9%	19,099,000	3.3%	18,915,000	-1.0%
Privilege Tax Rebates	386,000	27.0%	404,000	4.7%	-	-100.0%	-	0.0%
Total Transit Fund	18,348,000	18.2%	18,887,000	2.9%	19,099,000	1.1%	18,915,000	-1.0%
Arts & Culture Fund								
Privilege Tax (0.1%)	3,670,000	18.2%	3,778,000	2.9%	3,820,000	1.1%	3,783,000	-1.0%
Total Arts & Culture Fund	3,670,000	18.2%	3,778,000	2.9%	3,820,000	1.1%	3,783,000	-1.0%
Totals	68,389,000	-40.0%	70,556,000	3.2%	71,502,000	1.3%	70,799,000	-1.0%
Tax Revenues by Business Activities								
Retail	38,073,000	17.6%	36,627,000	-3.8%	35,947,000	-1.9%	36,303,000	1.0%
Rentals	12,103,000	11.5%	13,964,000	15.4%	14,305,000	2.4%	15,213,000	6.3%
Utilities/Communication	3,301,000	0.4%	3,495,000	5.9%	3,526,000	0.9%	3,987,000	13.1%
Restaurants	4,947,000	47.8%	5,426,000	9.7%	5,480,000	1.0%	5,643,000	3.0%
Contracting	3,369,000	-22.3%	3,823,000	13.5%	4,275,000	11.8%	4,841,000	13.2%
Hotel/Motel	900,000	109.3%	992,000	10.2%	1,106,000	11.5%	1,083,000	-2.1%
Transient (Bed Tax)	2,336,000	107.1%	2,561,000	9.6%	2,831,000	10.5%	2,844,000	0.5%
Non-Recurring Business Activities	2,495,000	188.8%	2,708,000	8.5%	2,986,000	10.3%	1,000	-100.0%
Amusements	482,000	167.8%	593,000	23.0%	697,000	17.5%	589,000	-15.5%
All Other	382,000	-99.3%	367,000	-3.9%	350,000	-4.6%	293,000	-16.3%
Totals	68,389,000	-40.0%	70,556,000	3.2%	71,502,000	1.3%	70,799,000	-1.0%
Retail Tax Revenues by Activities								
Automotive	5,367,000	16.0%	5,591,000	4.2%	7,170,000	28.2%	5,163,000	-28.0%
Building Supply Stores	1,568,000	13.9%	1,752,000	11.7%	1,591,000	-9.2%	1,560,000	-1.9%
Department Stores	4,553,000	13.1%	4,838,000	6.3%	4,828,000	-0.2%	4,644,000	-3.8%
Drug/Small Stores	5,416,000	6.4%	4,875,000	-10.0%	5,239,000	7.5%	5,099,000	-2.7%
Furniture/Equipment/Electronics	2,939,000	10.8%	947,000	-67.8%	1,842,000	94.5%	2,514,000	36.5%
Grocery Stores	3,246,000	-3.5%	3,539,000	9.0%	3,779,000	6.8%	3,675,000	-2.8%
Manufacturing Firms	3,805,000	55.5%	1,711,000	-55.0%	1,962,000	14.7%	2,023,000	3.1%
All Other Retail	11,179,000	27.3%	13,374,000	19.6%	9,536,000	-28.7%	11,625,000	21.9%
Totals	38,073,000	17.6%	36,627,000	-3.8%	35,947,000	-1.9%	36,303,000	1.0%

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	11,055,000	(1,778,000)	-13.9%
Oct	9.1%	12,925,000	11,437,000	(1,488,000)	-11.5%
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	\$ 45,192,000	\$ (3,649,000)	-2.6%

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	33,755,000	(2,161,000)	-6.0%
Jul-Oct	34.4%	48,841,000	45,192,000	(3,649,000)	-7.5%
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	\$ 136,334,000	\$ 142,067,000	\$ (5,733,000)	-4.0%
% Received	\$ 131,453,000	\$ 142,067,000	\$ (10,614,000)	-7.5%

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	641,000	(149,000)	-18.9%
Oct	6.8%	993,000	764,000	(229,000)	-23.1%
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	\$ 2,705,000	\$ (463,000)	-3.2%

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	1,941,000	(234,000)	-10.8%
Jul-Oct	21.7%	3,168,000	2,705,000	(463,000)	-14.6%
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	\$ 12,059,000	\$ 14,566,000	\$ (2,507,000)	-17.2%
% Received	\$ 12,437,000	\$ 14,566,000	\$ (2,129,000)	-14.6%

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	11,696,000	(1,927,000)	-14.1%
Oct	8.9%	13,918,000	12,201,000	(1,717,000)	-12.3%
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	\$ 47,897,000	\$ (4,112,000)	-2.6%

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	35,696,000	(2,395,000)	-6.3%
Jul-Oct	33.2%	52,009,000	47,897,000	(4,112,000)	-7.9%
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	\$ 148,400,000	\$ 156,633,000	\$ (8,233,000)	-5.3%
% Received	\$ 144,249,000	\$ 156,633,000	\$ (12,384,000)	-7.9%