

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
DATE: January 10, 2025
SUBJECT: Tax Revenue Statistical Report – November 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 November 2024 report summarizes our analysis of the October sales activity reported to the Arizona Department of Revenue (ADOR).

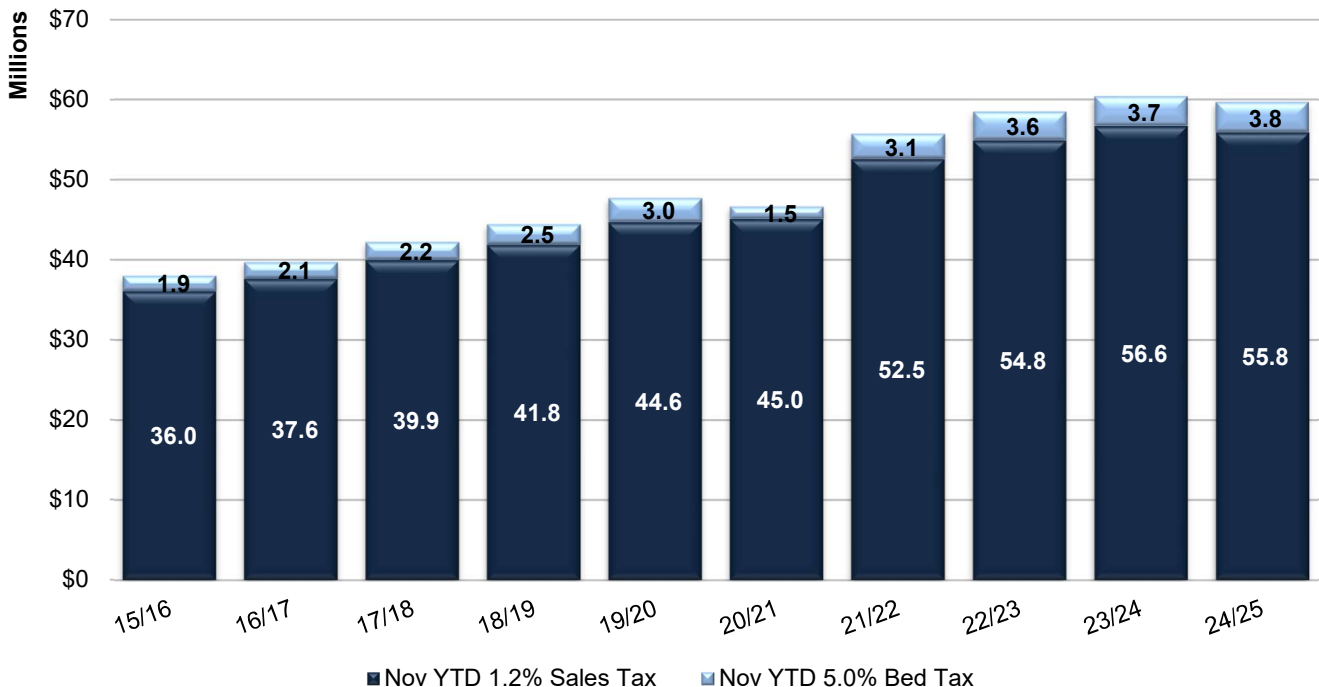
Overall Highlights

Total fiscal year to date taxable *sales* decreased by 1.3% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is down 1.2% or \$1.1 million, due to \$2.5 million of non-recurring business activities received in the prior year to date period. Otherwise, sales tax revenue grew in contracting (\$746 thousand), utilities/communication (\$547 thousand), and rentals (\$339 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 retail tax revenues by activity.

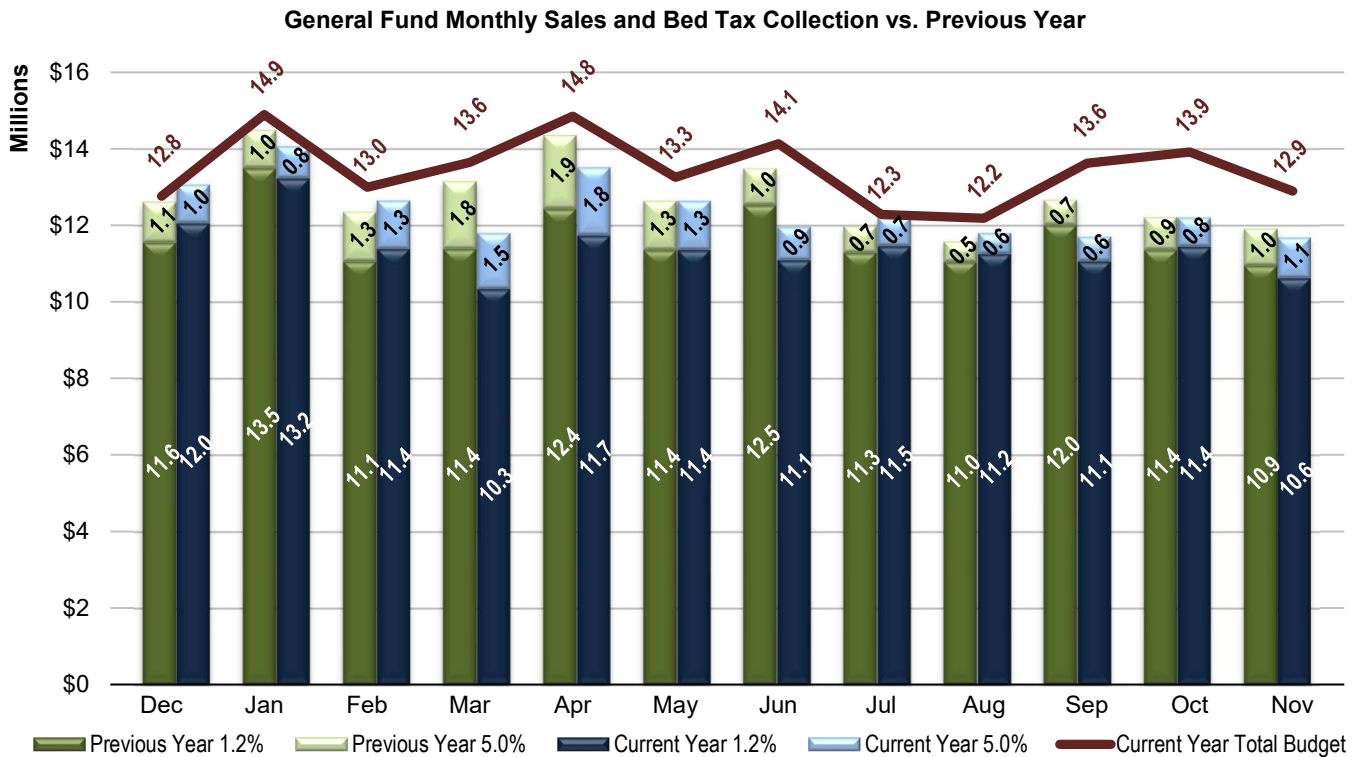
General Fund Highlights

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 1.2% or \$745 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 \$4.8 million below revenue projections and the General Fund bed tax is \$574 thousand below projections, which results in the combined General Fund sales and bed tax collections for the General Fund being \$5.3 million below the revenue projection.

As detailed above, November 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 - November | 2021-22 | | 2022-23 | | 2023-24 | | 2024-25 | |
|--|-------------------|---------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| | | Change | | Change | | Change | | Change |
| Taxable Sales | | | | | | | | |
| Total Taxable Sales | 819,392,000 | 11.9% | 893,526,000 | 9.0% | 937,609,000 | 4.9% | 913,552,000 | -2.6% |
| Retail Taxable Sales | 486,168,000 | 13.8% | 477,658,000 | -1.8% | 491,899,000 | 3.0% | 448,512,000 | -8.8% |
| Tax Revenues by Fund | | | | | | | | |
| General Fund | | | | | | | | |
| Privilege Tax (1.2%) | 9,389,000 | 10.4% | 10,485,000 | 11.7% | 10,949,000 | 4.4% | 10,623,000 | -3.0% |
| Bed Tax (5.0%) | 808,000 | 112.1% | 991,000 | 22.6% | 960,000 | -3.1% | 1,057,000 | 10.1% |
| Privilege Tax Rebates | 250,000 | 27.6% | - | -100.0% | 102,000 | 100.0% | 123,000 | 20.6% |
| Total General Fund | 10,447,000 | 15.1% | 11,476,000 | 9.8% | 12,011,000 | 4.7% | 11,803,000 | -1.7% |
| Transit Fund | | | | | | | | |
| Privilege Tax (0.5%) | 3,912,000 | 10.4% | 4,369,000 | 11.7% | 4,605,000 | 5.4% | 4,477,000 | -2.8% |
| Privilege Tax Rebates | 104,000 | 26.8% | - | -100.0% | - | 0.0% | - | 0.0% |
| Total Transit Fund | 4,016,000 | 10.8% | 4,369,000 | 8.8% | 4,605,000 | 5.4% | 4,477,000 | -2.8% |
| Arts & Culture Fund | | | | | | | | |
| Privilege Tax (0.1%) | 803,000 | 10.8% | 874,000 | 8.8% | 921,000 | 5.4% | 895,000 | -2.8% |
| Total Arts & Culture Fund | 803,000 | 10.8% | 874,000 | 8.8% | 921,000 | 5.4% | 895,000 | -2.8% |
| Totals | 15,266,000 | 13.7% | 16,719,000 | 9.5% | 17,537,000 | 4.9% | 17,175,000 | -2.1% |
| Tax Revenues by Business Activities | | | | | | | | |
| Retail | 8,751,000 | 13.8% | 7,950,000 | -9.2% | 8,854,000 | 11.4% | 8,073,000 | -8.8% |
| Rentals | 2,806,000 | 12.3% | 3,341,000 | 19.1% | 3,563,000 | 6.8% | 3,482,000 | -2.3% |
| Utilities/Communication | 662,000 | -2.9% | 719,000 | 8.6% | 796,000 | 10.7% | 881,000 | 10.7% |
| Restaurants | 1,404,000 | 45.5% | 1,474,000 | 5.0% | 1,485,000 | 0.7% | 1,519,000 | 2.3% |
| Contracting | 742,000 | -13.5% | 853,000 | 15.0% | 1,086,000 | 27.3% | 1,265,000 | 16.5% |
| Hotel/Motel | 307,000 | 111.7% | 403,000 | 31.3% | 399,000 | -1.0% | 414,000 | 3.8% |
| Transient (Bed Tax) | 808,000 | 112.1% | 991,000 | 22.6% | 1,030,000 | 3.9% | 1,143,000 | 11.0% |
| Non-Recurring Business Activities | (468,000) | -4690.0% | 653,000 | -239.5% | - | -100.0% | - | 0.0% |
| Amusements | 158,000 | 150.8% | 215,000 | 36.1% | 193,000 | -10.2% | 321,000 | 66.3% |
| All Other | 97,000 | -34.0% | 117,000 | 20.6% | 130,000 | 11.1% | 77,000 | -40.8% |
| Totals | 15,266,000 | 13.7% | 16,719,000 | 9.5% | 17,537,000 | 4.9% | 17,175,000 | -2.1% |
| Retail Tax Revenues by Activities | | | | | | | | |
| Automotive | 1,268,000 | 7.1% | 1,249,000 | -1.5% | 1,279,000 | 2.4% | 1,129,000 | -11.7% |
| Building Supply Stores | 415,000 | 19.3% | 421,000 | 1.4% | 400,000 | -5.0% | 396,000 | -1.0% |
| Department Stores | 1,101,000 | 14.1% | 1,155,000 | 4.9% | 1,095,000 | -5.2% | 1,083,000 | -1.1% |
| Drug/Small Stores | 1,162,000 | -5.8% | 1,270,000 | 9.3% | 993,000 | -21.8% | 457,000 | -54.0% |
| Furniture/Equipment/Electronics | 580,000 | 3.4% | 523,000 | -9.8% | 492,000 | -5.9% | 749,000 | 52.2% |
| Grocery Stores | 837,000 | 10.6% | 923,000 | 10.3% | 920,000 | -0.3% | 914,000 | -0.7% |
| Manufacturing Firms | 652,000 | 28.3% | 432,000 | -33.7% | 449,000 | 3.9% | 350,000 | -22.0% |
| All Other Retail | 2,736,000 | 28.3% | 1,977,000 | -27.7% | 3,226,000 | 63.2% | 2,995,000 | -7.2% |
| Totals | 8,751,000 | 13.8% | 7,950,000 | -9.2% | 8,854,000 | 11.4% | 8,073,000 | -8.8% |
| Fiscal Year to Date - November | | | | | | | | |
| | 2021-22 | | 2022-23 | | 2023-24 | | 2024-25 | |
| | | Change | | Change | | Change | | Change |
| Taxable Sales | | | | | | | | |
| Total Taxable Sales | 4,535,632,000 | 17.5% | 4,722,285,000 | 4.1% | 4,809,292,000 | 1.8% | 4,745,676,000 | -1.3% |
| Retail Taxable Sales | 2,601,315,000 | 16.9% | 2,512,482,000 | -3.4% | 2,645,359,000 | 5.3% | 2,465,362,000 | -6.8% |
| Tax Revenues by Fund | | | | | | | | |
| General Fund | | | | | | | | |
| Privilege Tax (1.2%) | 52,496,000 | 16.6% | 54,844,000 | 4.5% | 56,622,000 | 3.2% | 55,814,000 | -1.4% |
| Bed Tax (5.0%) | 3,144,000 | 108.3% | 3,552,000 | 13.0% | 3,699,000 | 4.1% | 3,762,000 | 1.7% |
| Privilege Tax Rebates | 1,177,000 | 27.0% | 971,000 | -17.5% | 273,000 | -71.9% | 327,000 | 19.8% |
| Total General Fund | 56,817,000 | 19.7% | 59,367,000 | 4.5% | 60,594,000 | 2.1% | 59,903,000 | -1.1% |
| Transit Fund | | | | | | | | |
| Privilege Tax (0.5%) | 21,874,000 | 16.6% | 22,852,000 | 4.5% | 23,704,000 | 3.7% | 23,392,000 | -1.3% |
| Privilege Tax Rebates | 490,000 | 26.9% | 404,000 | -17.6% | - | -100.0% | - | 0.0% |
| Total Transit Fund | 22,364,000 | 16.8% | 23,256,000 | 4.0% | 23,704,000 | 1.9% | 23,392,000 | -1.3% |
| Arts & Culture Fund | | | | | | | | |
| Privilege Tax (0.1%) | 4,473,000 | 16.8% | 4,651,000 | 4.0% | 4,741,000 | 1.9% | 4,678,000 | -1.3% |
| Total Arts & Culture Fund | 4,473,000 | 16.8% | 4,651,000 | 4.0% | 4,741,000 | 1.9% | 4,678,000 | -1.3% |
| Totals | 83,654,000 | -40.6% | 87,274,000 | 4.3% | 89,039,000 | 2.0% | 87,973,000 | -1.2% |
| Tax Revenues by Business Activities | | | | | | | | |
| Retail | 46,824,000 | 16.9% | 44,577,000 | -4.8% | 44,763,000 | 0.4% | 44,377,000 | -0.9% |
| Rentals | 14,909,000 | 11.7% | 17,305,000 | 16.1% | 17,869,000 | 3.3% | 18,208,000 | 1.9% |
| Utilities/Communication | 3,963,000 | -0.2% | 4,215,000 | 6.4% | 4,321,000 | 2.5% | 4,868,000 | 12.7% |
| Restaurants | 6,351,000 | 47.3% | 6,790,000 | 6.9% | 6,964,000 | 2.6% | 7,161,000 | 2.8% |
| Contracting | 4,111,000 | -20.9% | 4,676,000 | 13.7% | 5,360,000 | 14.6% | 6,106,000 | 13.9% |
| Hotel/Motel | 1,207,000 | 109.9% | 1,395,000 | 15.6% | 1,506,000 | 8.0% | 1,497,000 | -0.6% |
| Transient (Bed Tax) | 3,144,000 | 108.3% | 3,552,000 | 13.0% | 3,861,000 | 8.7% | 3,987,000 | 3.3% |
| Non-Recurring Business Activities | 2,027,000 | 134.3% | 3,470,000 | 71.2% | 3,024,000 | -12.9% | 489,000 | -83.8% |
| Amusements | 640,000 | 163.4% | 809,000 | 26.4% | 890,000 | 10.0% | 911,000 | 2.4% |
| All Other | 479,000 | -99.3% | 484,000 | 1.0% | 480,000 | -0.8% | 370,000 | -22.9% |
| Totals | 83,654,000 | -40.6% | 87,274,000 | 4.3% | 89,039,000 | 2.0% | 87,973,000 | -1.2% |
| Retail Tax Revenues by Activities | | | | | | | | |
| Automotive | 6,635,000 | 14.2% | 6,840,000 | 3.1% | 8,449,000 | 23.5% | 6,292,000 | -25.5% |
| Building Supply Stores | 1,983,000 | 14.9% | 2,173,000 | 9.6% | 1,991,000 | -8.4% | 1,957,000 | -1.7% |
| Department Stores | 5,654,000 | 13.3% | 5,993,000 | 6.0% | 5,924,000 | -1.2% | 5,728,000 | -3.3% |
| Drug/Small Stores | 6,577,000 | 4.0% | 6,146,000 | -6.6% | 6,232,000 | 1.4% | 5,557,000 | -10.8% |
| Furniture/Equipment/Electronics | 3,519,000 | 9.5% | 1,470,000 | -58.2% | 2,334,000 | 58.8% | 3,263,000 | 39.8% |
| Grocery Stores | 4,083,000 | -0.9% | 4,463,000 | 9.3% | 4,699,000 | 5.3% | 4,590,000 | -2.3% |
| Manufacturing Firms | 4,457,000 | 50.8% | 2,143,000 | -51.9% | 2,411,000 | 12.5% | 2,372,000 | -1.6% |
| All Other Retail | 13,916,000 | 27.5% | 15,349,000 | 10.3% | 12,723,000 | -17.1% | 14,618,000 | 14.9% |
| Totals | 46,824,000 | 16.9% | 44,577,000 | -4.8% | 44,763,000 | 0.4% | 44,377,000 | -0.9% |

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 | \$ 11,453,000 | \$ (128,000) | -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 | 10,623,000 | (1,105,000) | -9.4% |
| 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 | \$ 55,814,000 | \$ (4,755,000) | -3.3% |

Cumulative Amounts

| | 2024-25 Budget | | 2024-25 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 8.2% | \$ 11,581,000 | \$ 11,453,000 | \$ (128,000) | -1.1% |
| Jul-Aug | 16.2% | 23,083,000 | 22,699,000 | (384,000) | -1.7% |
| Jul-Sep | 25.3% | 35,916,000 | 33,754,000 | (2,162,000) | -6.0% |
| Jul-Oct | 34.4% | 48,841,000 | 45,191,000 | (3,650,000) | -7.5% |
| Jul-Nov | 42.6% | 60,569,000 | 55,814,000 | (4,755,000) | -7.9% |
| 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 | \$ 135,818,000 | \$ 142,067,000 | \$ (6,249,000) | -4.4% |
| % Received | \$ 130,914,000 | \$ 142,067,000 | \$ (11,153,000) | -7.9% |

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 | 1,057,000 | (111,000) | -9.5% |
| 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 | \$ 3,762,000 | \$ (574,000) | -3.9% |

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 | 3,762,000 | (574,000) | -13.2% |
| 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 | \$ 12,419,000 | \$ 14,566,000 | \$ (2,147,000) | -14.7% |
| % Received | \$ 12,638,000 | \$ 14,566,000 | \$ (1,928,000) | -13.2% |

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 | \$ 12,201,000 | \$ (83,000) | -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 | 11,680,000 | (1,216,000) | -9.4% |
| 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 | \$ 59,576,000 | \$ (5,329,000) | -3.4% |

Cumulative Amounts

| | 2024-25 Budget | | 2024-25 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 7.8% | \$ 12,284,000 | \$ 12,201,000 | \$ (83,000) | -0.7% |
| Jul-Aug | 15.6% | 24,468,000 | 23,999,000 | (469,000) | -1.9% |
| Jul-Sep | 24.3% | 38,091,000 | 35,695,000 | (2,396,000) | -6.3% |
| Jul-Oct | 33.2% | 52,009,000 | 47,896,000 | (4,113,000) | -7.9% |
| Jul-Nov | 41.4% | 64,905,000 | 59,576,000 | (5,329,000) | -8.2% |
| 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 | \$ 148,143,000 | \$ 156,633,000 | \$ (8,490,000) | -5.4% |
| % Received | \$ 143,773,000 | \$ 156,633,000 | \$ (12,860,000) | -8.2% |