

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Vickers, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: October 22, 2021
SUBJECT: Tax Revenue Statistical Report – September 2021

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 September 2021 report summarizes our analysis of the August sales activity reported to the Arizona Department of Revenue (ADOR).

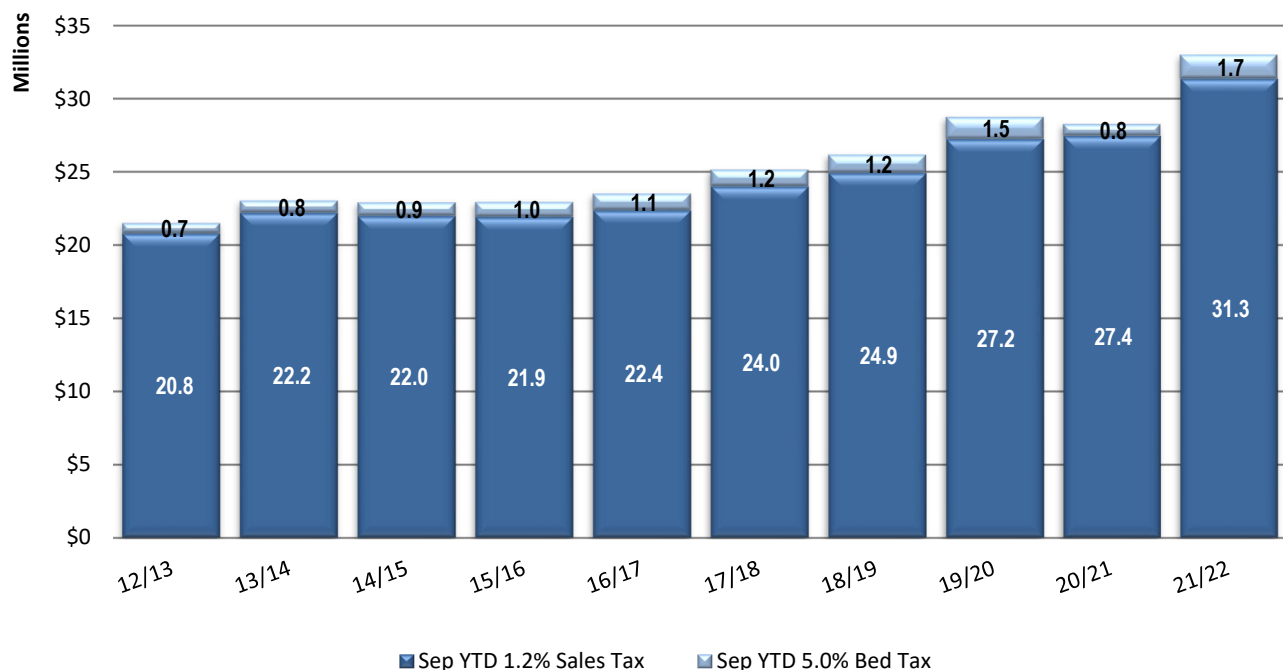
Overall Highlights

Total fiscal year to date taxable *sales* increased by 15.2% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 16.3% or \$7.0 million, due to growth in retail (\$4.8 million), restaurant (\$1.2 million) and combined hotel/transient lodging (\$1.2 million) 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

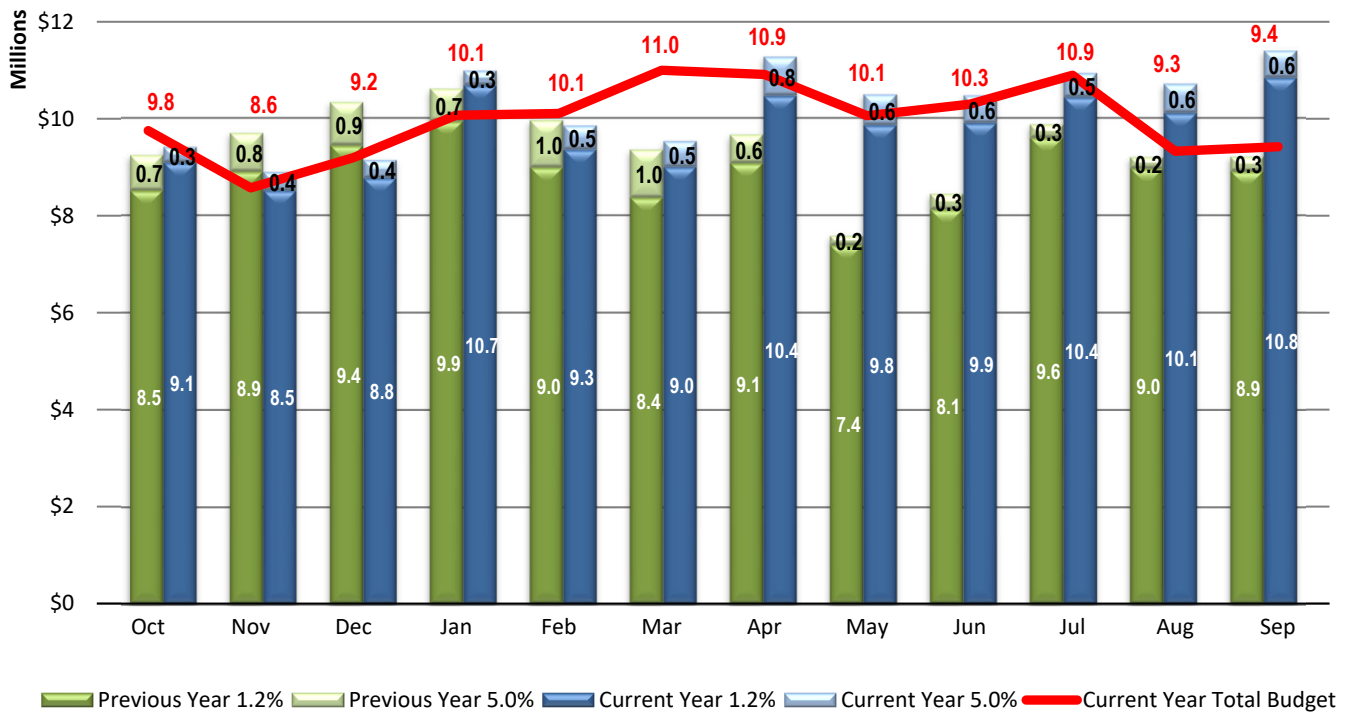
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2012/13 through FY 2021/22. General Fund sales and bed tax revenue for FY 2021/22 is up 16.8% or \$4.7 million over the prior year to date period.

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



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 2021/22 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 2021/22 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 \$2.8 million above revenue projections, General Fund bed tax is \$512 thousand above projections, and the combined General Fund sales and bed tax collections for the General Fund are \$3.3 million above the revenue projection.

- Attachments: Executive Summary
 Actual Compared to Budget Projection

Executive Summary

Current Month - September

Fiscal Year to Date - September

| | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | |
|--|-------------------|-------------|-------------------|--------------|-------------------|---------------|-------------------|--------------|-------------------|---------------|-------------------|-------------|-------------------|--------------|-------------------|--------------|--|
| | | Change | | Change | | Change | | Change | | Change | | Change | | Change | | Change | |
| Taxable Sales | | | | | | | | | | | | | | | | | |
| Total Taxable Sales | 753,787,000 | 4.2% | 847,433,000 | 12.4% | 763,290,000 | -9.9% | 932,157,000 | 22.1% | 2,162,660,000 | 4.0% | 2,363,456,000 | 9.3% | 2,347,205,000 | -0.7% | 2,703,261,000 | 15.2% | |
| Retail Taxable Sales | 415,664,000 | 2.5% | 432,649,000 | 4.1% | 444,970,000 | 2.8% | 563,901,000 | 26.7% | 1,210,808,000 | 4.2% | 1,269,041,000 | 4.8% | 1,349,761,000 | 6.4% | 1,615,290,000 | 19.7% | |
| Tax Revenues by Fund | | | | | | | | | | | | | | | | | |
| General Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (1.2%) | 8,679,000 | 4.2% | 9,790,000 | 12.8% | 8,900,000 | -9.1% | 10,819,000 | 21.6% | 24,912,000 | 3.8% | 27,225,000 | 9.3% | 27,442,000 | 0.8% | 31,340,000 | 14.2% | |
| Bed Tax (5.0%) | 444,000 | 8.6% | 506,000 | 14.0% | 300,000 | -40.7% | 559,000 | 86.3% | 1,247,000 | 8.2% | 1,505,000 | 20.7% | 806,000 | -46.4% | 1,651,000 | 104.8% | |
| Privilege Tax Rebates | 260,000 | 2.8% | 258,000 | -0.8% | 187,000 | -27.5% | 233,000 | 24.6% | 741,000 | 9.9% | 776,000 | 4.7% | 531,000 | -31.6% | 703,000 | 32.4% | |
| Total General Fund | 9,383,000 | 4.3% | 10,554,000 | 12.5% | 9,387,000 | -11.1% | 11,611,000 | 23.7% | 26,900,000 | 4.2% | 29,506,000 | 9.7% | 28,779,000 | -2.5% | 33,694,000 | 17.1% | |
| Transit Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (0.5%) | 3,616,000 | 4.0% | 4,084,000 | 12.9% | 3,709,000 | -9.2% | 4,508,000 | 21.5% | 10,380,000 | 3.7% | 11,354,000 | 9.4% | 11,435,000 | 0.7% | 13,059,000 | 14.2% | |
| Privilege Tax Rebates | 108,000 | 6.9% | 102,000 | -5.6% | 78,000 | -23.5% | 97,000 | 24.4% | 308,000 | 12.8% | 313,000 | 1.6% | 221,000 | -29.4% | 293,000 | 32.6% | |
| Total Transit Fund | 3,724,000 | 4.1% | 4,186,000 | 12.4% | 3,787,000 | -9.5% | 4,605,000 | 21.6% | 10,688,000 | 4.0% | 11,667,000 | 9.2% | 11,656,000 | -0.1% | 13,352,000 | 14.6% | |
| Arts & Culture Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (0.1%) | 745,000 | 4.2% | 837,000 | 12.3% | 757,000 | -9.6% | 921,000 | 21.7% | 2,138,000 | 4.0% | 2,333,000 | 9.1% | 2,331,000 | -0.1% | 2,670,000 | 14.5% | |
| Total Arts & Culture Fund | 745,000 | 4.2% | 837,000 | 12.3% | 757,000 | -9.6% | 921,000 | 21.7% | 2,138,000 | 4.0% | 2,333,000 | 9.1% | 2,331,000 | -0.1% | 2,670,000 | 14.5% | |
| Totals | 13,852,000 | 4.3% | 15,577,000 | 12.5% | 13,931,000 | -10.6% | 17,137,000 | 23.0% | 39,726,000 | -47.9% | 43,506,000 | 9.5% | 42,766,000 | -1.7% | 49,716,000 | 16.3% | |
| Tax Revenues by Business Activities | | | | | | | | | | | | | | | | | |
| Retail | 7,482,000 | 2.5% | 7,788,000 | 4.1% | 8,009,000 | 2.8% | 10,150,000 | 26.7% | 21,795,000 | 4.8% | 22,843,000 | 4.8% | 24,296,000 | 6.4% | 29,075,000 | 19.7% | |
| Rentals | 2,243,000 | 14.3% | 2,466,000 | 9.9% | 2,524,000 | 2.4% | 2,992,000 | 18.5% | 6,862,000 | 9.7% | 7,614,000 | 11.0% | 7,939,000 | 4.3% | 8,966,000 | 12.9% | |
| Utilities/Communication | 937,000 | -0.5% | 904,000 | -3.5% | 902,000 | -0.2% | 921,000 | 2.1% | 2,575,000 | -1.6% | 2,420,000 | -6.0% | 2,449,000 | 1.2% | 2,546,000 | 4.0% | |
| Restaurants | 1,006,000 | 1.6% | 1,043,000 | 3.7% | 846,000 | -18.9% | 1,191,000 | 40.8% | 2,975,000 | 3.7% | 3,149,000 | 5.8% | 2,428,000 | -22.9% | 3,626,000 | 49.3% | |
| Contracting | 1,269,000 | 34.1% | 1,014,000 | -20.1% | 1,029,000 | 1.5% | 824,000 | -19.9% | 3,170,000 | 8.0% | 3,238,000 | 2.1% | 3,403,000 | 5.1% | 2,392,000 | -29.7% | |
| Hotel/Motel | 169,000 | 7.0% | 190,000 | 12.4% | 114,000 | -40.0% | 217,000 | 90.4% | 492,000 | 11.6% | 567,000 | 15.2% | 306,000 | -46.0% | 639,000 | 108.8% | |
| Transient (Bed Tax) | 444,000 | 8.6% | 506,000 | 14.0% | 300,000 | -40.7% | 559,000 | 86.3% | 1,247,000 | 8.2% | 1,505,000 | 20.7% | 806,000 | -46.4% | 1,651,000 | 104.8% | |
| Non-Recurring Business Activities | 3,000 | -99.0% | 1,474,000 | 49033.3% | 137,000 | -90.7% | 39,000 | -71.5% | (68,000) | -115.7% | 1,594,000 | -2444.1% | 863,000 | -45.9% | 186,000 | -78.4% | |
| Amusements | 90,000 | -8.2% | 103,000 | 14.4% | 26,000 | -74.8% | 106,000 | 307.7% | 337,000 | -2.6% | 378,000 | 12.2% | 115,000 | -69.6% | 378,000 | 228.7% | |
| All Other | 209,000 | 22.9% | 90,000 | -56.9% | 43,000 | -52.2% | 136,000 | 216.3% | 341,000 | -99.1% | 199,000 | -41.6% | 160,000 | -19.6% | 256,000 | 60.0% | |
| Totals | 13,852,000 | 4.3% | 15,578,000 | 12.5% | 13,930,000 | -10.6% | 17,135,000 | 23.0% | 39,726,000 | -47.9% | 43,507,000 | 9.5% | 42,765,000 | -1.7% | 49,715,000 | 16.3% | |
| Retail Tax Revenues by Activities | | | | | | | | | | | | | | | | | |
| Automotive | 1,156,000 | 6.2% | 1,301,000 | 12.5% | 1,152,000 | -11.5% | 1,378,000 | 19.6% | 3,388,000 | 3.7% | 3,632,000 | 7.2% | 3,434,000 | -5.5% | 4,101,000 | 19.4% | |
| Building Supply Stores | 266,000 | 0.4% | 298,000 | 12.0% | 328,000 | 10.1% | 362,000 | 10.4% | 851,000 | 0.4% | 943,000 | 10.8% | 1,042,000 | 10.5% | 1,194,000 | 14.6% | |
| Department Stores | 1,115,000 | -5.4% | 1,154,000 | 3.5% | 1,120,000 | -2.9% | 1,305,000 | 16.5% | 3,005,000 | 0.0% | 3,095,000 | 3.0% | 3,052,000 | -1.4% | 3,496,000 | 14.5% | |
| Drug/Small Stores | 1,117,000 | 9.8% | 1,215,000 | 8.8% | 1,221,000 | 0.5% | 1,463,000 | 19.8% | 3,122,000 | 16.1% | 3,465,000 | 11.0% | 3,779,000 | 9.1% | 4,058,000 | 7.4% | |
| Furniture/Equipment/Electronics | 559,000 | -19.8% | 491,000 | -12.2% | 610,000 | 24.2% | 650,000 | 6.6% | 1,790,000 | -16.4% | 1,812,000 | 1.2% | 2,041,000 | 12.6% | 2,337,000 | 14.5% | |
| Grocery Stores | 794,000 | 4.3% | 780,000 | -1.8% | 841,000 | 7.8% | 826,000 | -1.8% | 2,243,000 | 2.6% | 2,266,000 | 1.0% | 2,498,000 | 10.2% | 2,387,000 | -4.4% | |
| Manufacturing Firms | 766,000 | 16.9% | 783,000 | 2.2% | 631,000 | -19.4% | 1,502,000 | 138.0% | 2,254,000 | 26.9% | 2,057,000 | -8.7% | 1,841,000 | -10.5% | 3,178,000 | 72.6% | |
| All Other Retail | 1,709,000 | 4.6% | 1,766,000 | 3.3% | 2,106,000 | 19.3% | 2,664,000 | 26.5% | 5,142,000 | 5.2% | 5,573,000 | 8.4% | 6,609,000 | 18.6% | 8,324,000 | 25.9% | |
| Totals | 7,482,000 | 2.5% | 7,788,000 | 4.1% | 8,009,000 | 2.8% | 10,150,000 | 26.7% | 21,795,000 | 4.8% | 22,843,000 | 4.8% | 24,296,000 | 6.4% | 29,075,000 | 19.7% | |

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|-----------------------|----------------------|---------------------|-------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.5% | \$ 10,650,000 | \$ 10,422,000 | \$ (228,000) | -2.1% |
| Aug | 7.9% | 8,923,000 | 10,099,000 | 1,176,000 | 13.2% |
| Sep | 7.9% | 8,934,000 | 10,819,000 | 1,885,000 | 21.1% |
| Oct | 9.2% | 10,373,000 | | | |
| Nov | 8.0% | 9,039,000 | | | |
| Dec | 8.3% | 9,329,000 | | | |
| Jan | 8.4% | 9,478,000 | | | |
| Feb | 7.9% | 8,915,000 | | | |
| Mar | 8.3% | 9,327,000 | | | |
| Apr | 8.5% | 9,525,000 | | | |
| May | 7.8% | 8,825,000 | | | |
| Jun | 8.1% | 9,132,000 | | | |
| Totals | 100.0% | \$ 112,450,000 | \$ 31,340,000 | \$ 2,833,000 | 2.5% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.5% | \$ 10,650,000 | \$ 10,422,000 | \$ (228,000) | -2.1% |
| Jul-Aug | 17.4% | 19,573,000 | 20,521,000 | 948,000 | 4.8% |
| Jul-Sep | 25.4% | 28,507,000 | 31,340,000 | 2,833,000 | 9.9% |
| Jul-Oct | 34.6% | 38,880,000 | | | |
| Jul-Nov | 42.6% | 47,919,000 | | | |
| Jul-Dec | 50.9% | 57,248,000 | | | |
| Jul-Jan | 59.3% | 66,726,000 | | | |
| Jul-Feb | 67.3% | 75,641,000 | | | |
| Jul-Mar | 75.6% | 84,968,000 | | | |
| Jul-Apr | 84.0% | 94,493,000 | | | |
| Jul-May | 91.9% | 103,318,000 | | | |
| Jul-Jun | 100.0% | 112,450,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Privilege Tax | | Over / (Under) | |
|---------------|----------------|----------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 129,020,000 | \$ 112,450,000 | \$ 16,570,000 | 14.7% |
| % Received | \$ 123,625,000 | \$ 112,450,000 | \$ 11,175,000 | 9.9% |

Bed Tax Revenue - General Fund (5.0%) 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|---------------------|---------------------|-------------------|--------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 6.3% | \$ 246,000 | \$ 495,000 | \$ 249,000 | 101.2% |
| Aug | 10.4% | 405,000 | 597,000 | 192,000 | 47.4% |
| Sep | 12.6% | 488,000 | 559,000 | 71,000 | 14.5% |
| Oct | 15.1% | 585,000 | | | |
| Nov | 9.5% | 368,000 | | | |
| Dec | 7.4% | 287,000 | | | |
| Jan | 5.5% | 215,000 | | | |
| Feb | 4.7% | 184,000 | | | |
| Mar | 5.5% | 212,000 | | | |
| Apr | 6.4% | 250,000 | | | |
| May | 8.2% | 319,000 | | | |
| Jun | 8.4% | 325,000 | | | |
| Totals | 100.0% | \$ 3,884,000 | \$ 1,651,000 | \$ 512,000 | 13.2% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 6.3% | \$ 246,000 | \$ 495,000 | \$ 249,000 | 101.2% |
| Jul-Aug | 16.8% | 651,000 | 1,092,000 | 441,000 | 67.7% |
| Jul-Sep | 29.3% | 1,139,000 | 1,651,000 | 512,000 | 45.0% |
| Jul-Oct | 44.4% | 1,724,000 | | | |
| Jul-Nov | 53.9% | 2,092,000 | | | |
| Jul-Dec | 61.3% | 2,379,000 | | | |
| Jul-Jan | 66.8% | 2,594,000 | | | |
| Jul-Feb | 71.5% | 2,778,000 | | | |
| Jul-Mar | 77.0% | 2,990,000 | | | |
| Jul-Apr | 83.4% | 3,240,000 | | | |
| Jul-May | 91.6% | 3,559,000 | | | |
| Jul-Jun | 100.0% | 3,884,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Bed Tax | | Over / (Under) | |
|---------------|--------------|--------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 6,513,000 | \$ 3,884,000 | \$ 2,629,000 | 67.7% |
| % Received | \$ 5,630,000 | \$ 3,884,000 | \$ 1,746,000 | 45.0% |

Total General Fund Tax Revenue 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|-----------------------|----------------------|---------------------|-------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.4% | \$ 10,896,000 | \$ 10,917,000 | \$ 21,000 | 0.2% |
| Aug | 8.0% | 9,328,000 | 10,696,000 | 1,368,000 | 14.7% |
| Sep | 8.1% | 9,422,000 | 11,378,000 | 1,956,000 | 20.8% |
| Oct | 9.4% | 10,958,000 | | | |
| Nov | 8.1% | 9,407,000 | | | |
| Dec | 8.3% | 9,616,000 | | | |
| Jan | 8.3% | 9,693,000 | | | |
| Feb | 7.8% | 9,099,000 | | | |
| Mar | 8.2% | 9,539,000 | | | |
| Apr | 8.4% | 9,775,000 | | | |
| May | 7.9% | 9,144,000 | | | |
| Jun | 8.1% | 9,457,000 | | | |
| Totals | 100.0% | \$ 116,334,000 | \$ 32,991,000 | \$ 3,345,000 | 2.9% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.4% | \$ 10,896,000 | \$ 10,917,000 | \$ 21,000 | 0.2% |
| Jul-Aug | 17.4% | 20,224,000 | 21,613,000 | 1,389,000 | 6.9% |
| Jul-Sep | 25.5% | 29,646,000 | 32,991,000 | 3,345,000 | 11.3% |
| Jul-Oct | 34.9% | 40,604,000 | | | |
| Jul-Nov | 43.0% | 50,011,000 | | | |
| Jul-Dec | 51.3% | 59,627,000 | | | |
| Jul-Jan | 59.6% | 69,320,000 | | | |
| Jul-Feb | 67.4% | 78,419,000 | | | |
| Jul-Mar | 75.6% | 87,958,000 | | | |
| Jul-Apr | 84.0% | 97,733,000 | | | |
| Jul-May | 91.9% | 106,877,000 | | | |
| Jul-Jun | 100.0% | 116,334,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Total Tax | | Over / (Under) | |
|---------------|----------------|----------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 135,558,000 | \$ 116,334,000 | \$ 19,224,000 | 16.5% |
| % Received | \$ 129,460,000 | \$ 116,334,000 | \$ 13,126,000 | 11.3% |