

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Vickers, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: December 2, 2022
SUBJECT: Tax Revenue Statistical Report – October 2022

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 October 2022 report summarizes our analysis of the September sales activity reported to the Arizona Department of Revenue (ADOR).

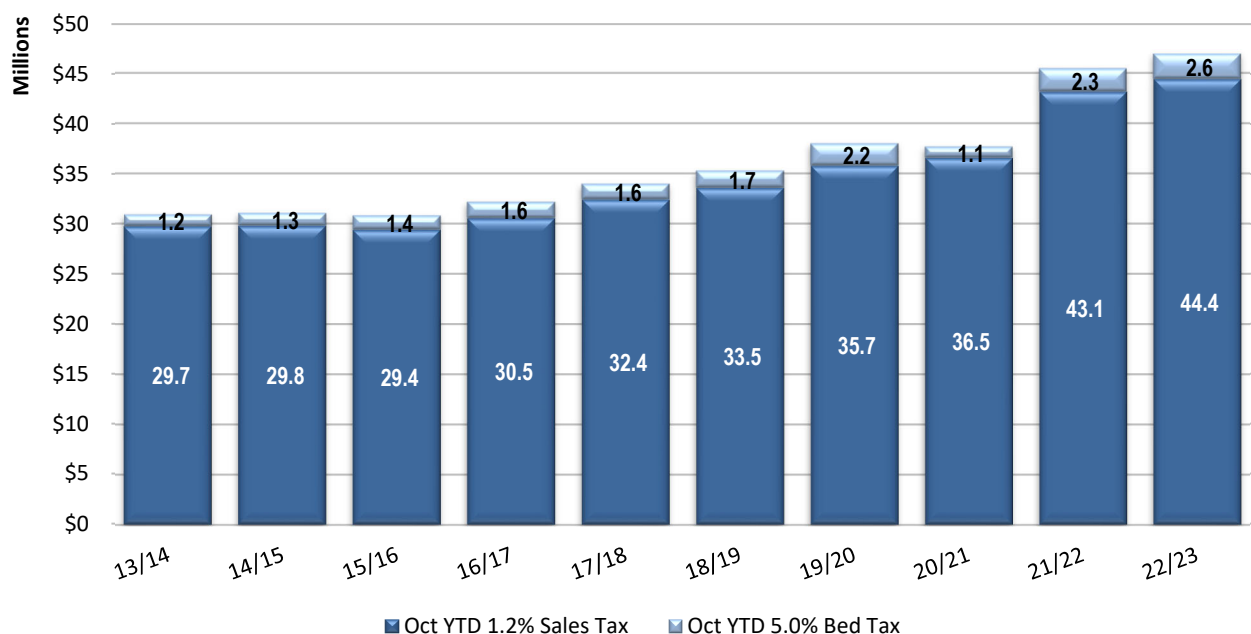
Overall Highlights

Total fiscal year to date taxable sales increased by 3.0% over the same year to date period in the prior fiscal year. Total sales tax revenue is up 3.2% or \$2.2 million, due to growth in rentals (\$1.9 million), restaurants (\$479 thousand) and contracting (\$454 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

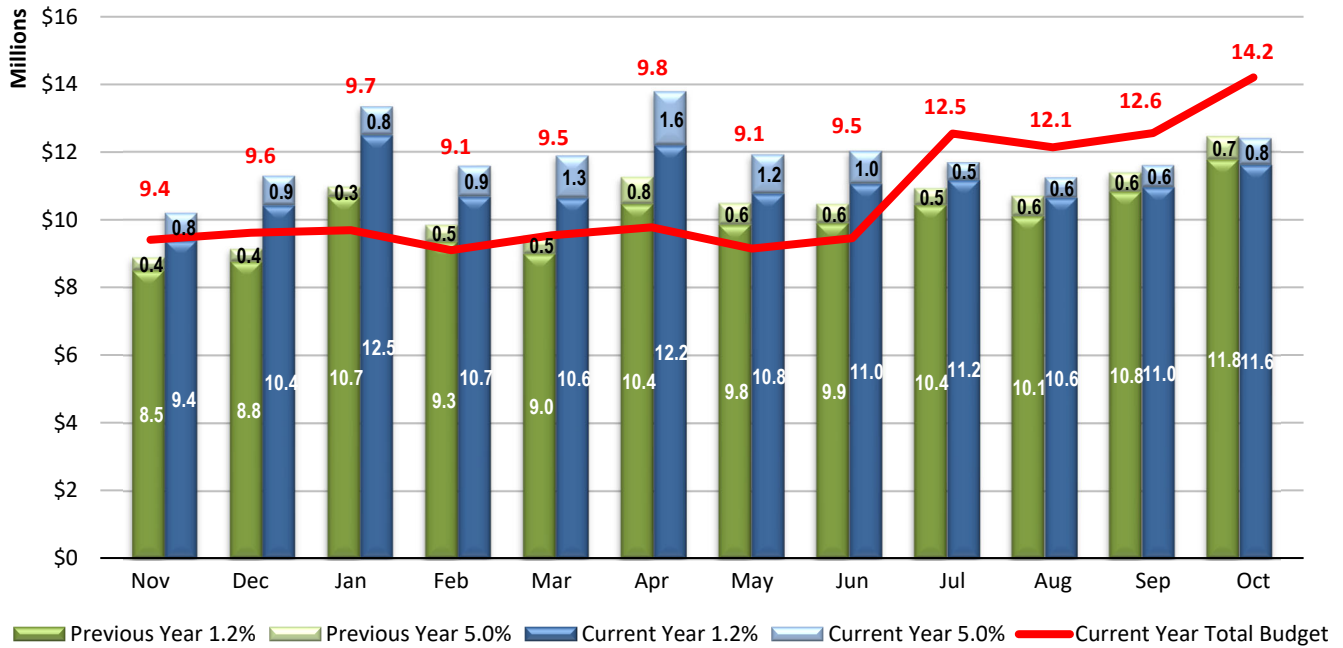
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2013/14 through FY 2022/23. General Fund sales and bed tax revenue for FY 2022/23 is up 3.2% or \$1.5 million over the prior year to date period.

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



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 2022/23 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 2022/23 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 \$2.7 million below revenue projections, General Fund bed tax is \$1.8 million below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$4.5 million below the revenue projection.

The Municipal Budget Office is closely monitoring the above noted fiscal year to date variance of sales and bed tax collections compared to the projected amount. At this time, the City is not planning to make any budget adjustments due to the variance in sales and bed tax collections as the City’s overall revenue collections are meeting current projections.

Sales and bed tax collections continue to experience variances from projections based on historical trends as the economy experiences volatility due to a variety of factors, including inflation, supply and labor shortages and movement towards a post COVID pandemic economy. In the future, if sales and bed tax collections experience negative variances from projections and overall revenue collections are not meeting projections, the City will make necessary budget adjustments to ensure continuity of programs and service delivery.

Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - October

Fiscal Year to Date - October

	2019-20		2020-21		2021-22		2022-23		2019-20		2020-21		2021-22		2022-23	
		Change		Change		Change		Change		Change		Change		Change		Change
Taxable Sales																
Total Taxable Sales	744,250,000	-0.6%	779,546,000	4.7%	1,012,979,000	29.9%	1,006,086,000	-0.7%	3,107,707,000	6.7%	3,126,751,000	0.6%	3,716,240,000	18.9%	3,828,759,000	3.0%
Retail Taxable Sales	387,654,000	-1.9%	448,439,000	15.7%	499,858,000	11.5%	507,711,000	1.6%	1,656,694,000	3.2%	1,798,199,000	8.5%	2,115,148,000	17.6%	2,034,824,000	-3.8%
Tax Revenues by Fund																
General Fund																
Privilege Tax (1.2%)	8,503,000	-1.4%	9,077,000	6.8%	11,768,000	29.6%	11,608,000	-1.4%	35,728,000	6.5%	36,519,000	2.2%	43,108,000	18.0%	44,359,000	2.9%
Bed Tax (5.0%)	732,000	56.7%	323,000	-55.9%	685,000	112.1%	788,000	15.0%	2,237,000	30.5%	1,128,000	-49.6%	2,336,000	107.1%	2,561,000	9.6%
Privilege Tax Rebates	252,000	0.8%	200,000	-20.6%	224,000	12.0%	276,000	23.2%	1,028,000	3.7%	731,000	-28.9%	927,000	26.8%	971,000	4.7%
Total General Fund	9,487,000	1.5%	9,600,000	1.2%	12,677,000	32.1%	12,672,000	0.0%	38,993,000	7.6%	38,378,000	-1.6%	46,371,000	20.8%	47,891,000	3.3%
Transit Fund																
Privilege Tax (0.5%)	3,546,000	-1.6%	3,782,000	6.7%	4,903,000	29.6%	4,837,000	-1.3%	14,900,000	6.6%	15,217,000	2.1%	17,962,000	18.0%	18,483,000	2.9%
Privilege Tax Rebates	102,000	5.2%	83,000	-18.6%	93,000	12.0%	115,000	23.7%	415,000	2.5%	304,000	-26.7%	386,000	27.0%	404,000	4.7%
Total Transit Fund	3,648,000	-1.4%	3,865,000	5.9%	4,996,000	29.3%	4,952,000	-0.9%	15,315,000	6.5%	15,521,000	1.3%	18,348,000	18.2%	18,887,000	2.9%
Arts & Culture Fund																
Privilege Tax (0.1%)	730,000	-1.4%	773,000	5.9%	999,000	29.2%	990,000	-0.9%	3,063,000	6.5%	3,104,000	1.3%	3,670,000	18.2%	3,778,000	2.9%
Total Arts & Culture Fund	730,000	-1.4%	773,000	5.9%	999,000	29.2%	990,000	-0.9%	3,063,000	6.5%	3,104,000	1.3%	3,670,000	18.2%	3,778,000	2.9%
Totals	13,865,000	0.6%	14,238,000	2.7%	18,672,000	31.1%	18,614,000	-0.3%	57,371,000	-46.4%	57,003,000	-0.6%	68,389,000	20.0%	70,556,000	3.2%
Tax Revenues by Business Activities																
Retail	6,978,000	-1.9%	8,072,000	15.7%	8,997,000	11.5%	9,139,000	1.6%	29,820,000	3.2%	32,368,000	8.5%	38,073,000	17.6%	36,627,000	-3.8%
Rentals	2,601,000	1.5%	2,911,000	11.9%	3,137,000	7.8%	3,574,000	13.9%	10,214,000	8.4%	10,850,000	6.2%	12,103,000	11.5%	13,964,000	15.4%
Utilities/Communication	861,000	5.4%	840,000	-2.4%	755,000	-10.1%	844,000	11.8%	3,281,000	-3.3%	3,289,000	0.2%	3,301,000	0.4%	3,495,000	5.9%
Restaurants	1,105,000	2.7%	918,000	-16.9%	1,321,000	43.9%	1,471,000	11.4%	4,254,000	5.0%	3,347,000	-21.3%	4,947,000	47.8%	5,426,000	9.7%
Contracting	1,175,000	62.1%	933,000	-20.6%	976,000	4.6%	836,000	-14.3%	4,412,000	13.3%	4,336,000	-1.7%	3,369,000	-22.3%	3,823,000	13.5%
Hotel/Motel	229,000	28.7%	124,000	-45.9%	261,000	110.5%	305,000	16.9%	797,000	19.0%	430,000	-46.0%	900,000	109.3%	992,000	10.2%
Transient (Bed Tax)	732,000	56.7%	323,000	-55.9%	685,000	112.1%	788,000	15.0%	2,237,000	30.5%	1,128,000	-49.6%	2,336,000	107.1%	2,561,000	9.6%
Non-Recurring Business Activities	2,000	-99.7%	1,000	-50.0%	2,309,000	230800.0%	1,417,000	-38.6%	1,596,000	198.3%	864,000	-45.9%	2,495,000	188.8%	2,708,000	8.5%
Amusements	105,000	-2.8%	65,000	-38.1%	104,000	60.0%	120,000	15.4%	483,000	8.5%	180,000	-62.7%	482,000	167.8%	593,000	23.0%
All Other	77,000	-41.7%	52,000	-32.5%	126,000	142.3%	119,000	-5.6%	276,000	-99.5%	212,000	-23.2%	382,000	80.2%	367,000	-3.9%
Totals	13,865,000	0.6%	14,238,000	2.7%	18,672,000	31.1%	18,614,000	-0.3%	57,371,000	-46.4%	57,003,000	-0.6%	68,389,000	20.0%	70,556,000	3.2%
Retail Tax Revenues by Activities																
Automotive	1,096,000	-6.7%	1,192,000	8.8%	1,266,000	6.2%	1,511,000	19.4%	4,728,000	3.6%	4,626,000	-2.2%	5,367,000	16.0%	5,591,000	4.2%
Building Supply Stores	185,000	-33.7%	335,000	81.1%	374,000	11.6%	416,000	11.2%	1,128,000	-0.2%	1,377,000	22.1%	1,568,000	13.9%	1,752,000	11.7%
Department Stores	922,000	2.8%	975,000	5.7%	1,058,000	8.5%	1,146,000	8.3%	4,017,000	2.9%	4,027,000	0.2%	4,553,000	13.1%	4,838,000	6.3%
Drug/Small Stores	1,096,000	13.5%	1,313,000	19.8%	1,357,000	3.4%	1,358,000	0.1%	4,561,000	11.6%	5,092,000	11.6%	5,416,000	6.4%	4,875,000	-10.0%
Furniture/Equipment/Electronics	535,000	-16.8%	612,000	14.4%	602,000	-1.6%	(469,000)	-177.9%	2,347,000	-3.5%	2,653,000	13.0%	2,939,000	10.8%	947,000	-67.8%
Grocery Stores	813,000	1.0%	867,000	6.6%	859,000	-0.9%	915,000	6.5%	3,079,000	1.0%	3,365,000	9.3%	3,246,000	-3.5%	3,539,000	9.0%
Manufacturing Firms	440,000	-31.3%	606,000	37.7%	627,000	3.5%	568,000	-9.4%	2,498,000	-13.7%	2,447,000	-2.0%	3,805,000	55.5%	1,711,000	-55.0%
All Other Retail	1,891,000	10.6%	2,172,000	14.9%	2,854,000	31.4%	3,694,000	29.4%	7,462,000	8.9%	8,781,000	17.7%	11,179,000	27.3%	13,374,000	19.6%
Totals	6,978,000	-1.9%	8,072,000	15.7%	8,997,000	11.5%	9,139,000	1.6%	29,820,000	3.2%	32,368,000	8.5%	38,073,000	17.6%	36,627,000	-3.8%

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.4%	\$ 11,776,000	\$ 11,159,000	\$ (617,000)	-5.2%
Aug	7.9%	11,161,000	10,641,000	(520,000)	-4.7%
Sep	8.0%	11,286,000	10,951,000	(335,000)	-3.0%
Oct	9.1%	12,834,000	11,608,000	(1,226,000)	-9.6%
Nov	8.1%	11,429,000			
Dec	8.4%	11,853,000			
Jan	9.2%	12,938,000			
Feb	8.0%	11,201,000			
Mar	8.3%	11,718,000			
Apr	8.5%	11,896,000			
May	7.9%	11,053,000			
Jun	8.1%	11,430,000			
Totals	100.0%	\$ 140,575,000	\$ 44,359,000	\$ (2,698,000)	-1.9%

Cumulative Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.4%	\$ 11,776,000	\$ 11,159,000	\$ (617,000)	-5.2%
Jul-Aug	16.3%	22,937,000	21,800,000	(1,137,000)	-5.0%
Jul-Sep	24.3%	34,223,000	32,751,000	(1,472,000)	-4.3%
Jul-Oct	33.5%	47,057,000	44,359,000	(2,698,000)	-5.7%
Jul-Nov	41.6%	58,486,000			
Jul-Dec	50.0%	70,339,000			
Jul-Jan	59.2%	83,277,000			
Jul-Feb	67.2%	94,478,000			
Jul-Mar	75.5%	106,196,000			
Jul-Apr	84.0%	118,092,000			
Jul-May	91.9%	129,145,000			
Jul-Jun	100.0%	140,575,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 134,484,000	\$ 140,575,000	\$ (6,091,000)	-4.3%
% Received	\$ 132,515,000	\$ 140,575,000	\$ (8,060,000)	-5.7%

Bed Tax Revenue - General Fund (5.0%) 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.1%	\$ 772,000	\$ 525,000	\$ (247,000)	-32.0%
Aug	9.0%	978,000	602,000	(376,000)	-38.4%
Sep	11.7%	1,276,000	646,000	(630,000)	-49.4%
Oct	12.6%	1,376,000	788,000	(588,000)	-42.7%
Nov	8.4%	915,000			
Dec	7.9%	855,000			
Jan	5.6%	605,000			
Feb	6.1%	660,000			
Mar	6.8%	739,000			
Apr	7.4%	803,000			
May	8.4%	914,000			
Jun	9.1%	985,000			
Totals	100.0%	\$ 10,878,000	\$ 2,561,000	\$ (1,841,000)	-16.9%

Cumulative Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.1%	\$ 772,000	\$ 525,000	\$ (247,000)	-32.0%
Jul-Aug	16.1%	1,750,000	1,127,000	(623,000)	-35.6%
Jul-Sep	27.8%	3,026,000	1,773,000	(1,253,000)	-41.4%
Jul-Oct	40.5%	4,402,000	2,561,000	(1,841,000)	-41.8%
Jul-Nov	48.9%	5,317,000			
Jul-Dec	56.7%	6,172,000			
Jul-Jan	62.3%	6,777,000			
Jul-Feb	68.4%	7,437,000			
Jul-Mar	75.2%	8,176,000			
Jul-Apr	82.5%	8,979,000			
Jul-May	90.9%	9,893,000			
Jul-Jun	100.0%	10,878,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 11,757,000	\$ 10,878,000	\$ 879,000	8.1%
% Received	\$ 6,329,000	\$ 10,878,000	\$ (4,549,000)	-41.8%

Total General Fund Tax Revenue 2022-23 Actual Compared to Budget

Monthly Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,548,000	\$ 11,684,000	\$ (864,000)	-6.9%
Aug	8.0%	12,139,000	11,243,000	(896,000)	-7.4%
Sep	8.3%	12,562,000	11,597,000	(965,000)	-7.7%
Oct	9.4%	14,210,000	12,396,000	(1,814,000)	-12.8%
Nov	8.2%	12,344,000			
Dec	8.4%	12,708,000			
Jan	8.9%	13,543,000			
Feb	7.8%	11,861,000			
Mar	8.2%	12,457,000			
Apr	8.4%	12,699,000			
May	7.9%	11,967,000			
Jun	8.2%	12,415,000			
Totals	100.0%	\$ 151,453,000	\$ 46,920,000	\$ (4,539,000)	-3.0%

Cumulative Amounts

	2022-23 Budget		2022-23 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,548,000	\$ 11,684,000	\$ (864,000)	-6.9%
Jul-Aug	16.3%	24,687,000	22,927,000	(1,760,000)	-7.1%
Jul-Sep	24.6%	37,249,000	34,524,000	(2,725,000)	-7.3%
Jul-Oct	34.0%	51,459,000	46,920,000	(4,539,000)	-8.8%
Jul-Nov	42.1%	63,803,000			
Jul-Dec	50.5%	76,511,000			
Jul-Jan	59.5%	90,054,000			
Jul-Feb	67.3%	101,915,000			
Jul-Mar	75.5%	114,372,000			
Jul-Apr	83.9%	127,071,000			
Jul-May	91.8%	139,038,000			
Jul-Jun	100.0%	151,453,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 146,011,000	\$ 151,453,000	\$ (5,442,000)	-3.6%
% Received	\$ 138,094,000	\$ 151,453,000	\$ (13,359,000)	-8.8%