

# MEMORANDUM



TO: Mayor and Council  
FROM: Lauri Vickers, Municipal Budget & Finance Analyst  
THROUGH: Mark Day, Municipal Budget Director  
DATE: January 27, 2023  
SUBJECT: Tax Revenue Statistical Report – December 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 December 2022 report summarizes our analysis of the November sales activity reported to the Arizona Department of Revenue (ADOR).

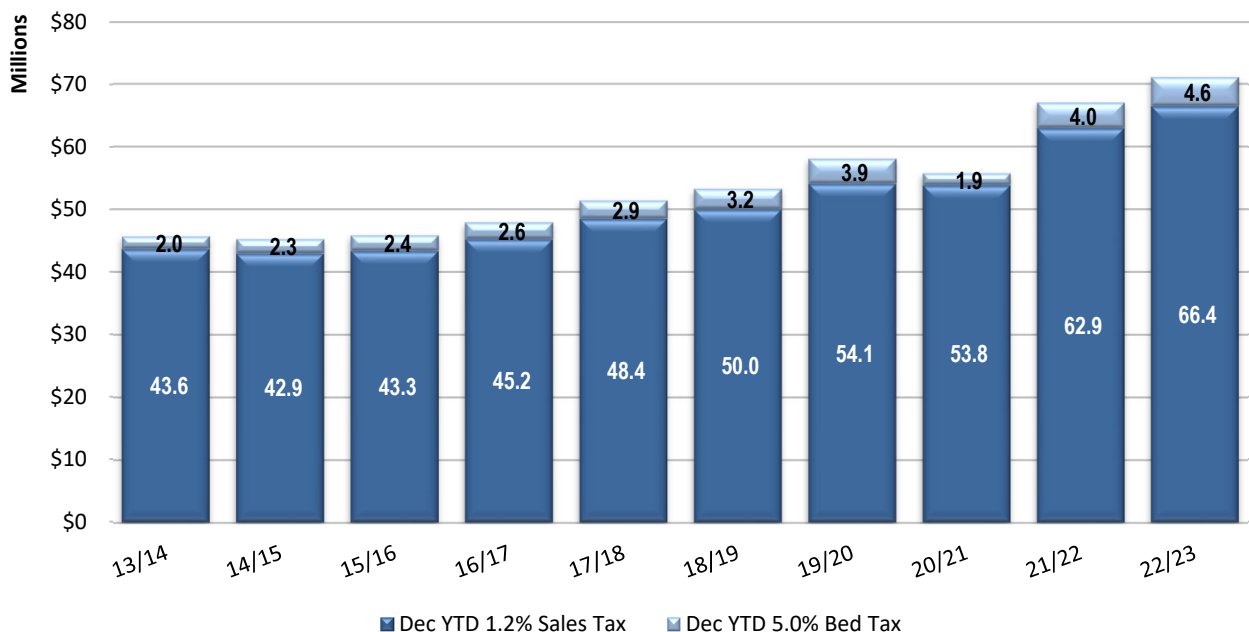
## Overall Highlights

Total fiscal year to date taxable sales increased by 4.9% over the same year to date period in the prior fiscal year. Total sales tax revenue is up 5.1% or \$5.1 million, due to growth in rentals (\$2.6 million), non-recurring business activities (\$2.8 million), and contracting (\$972 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

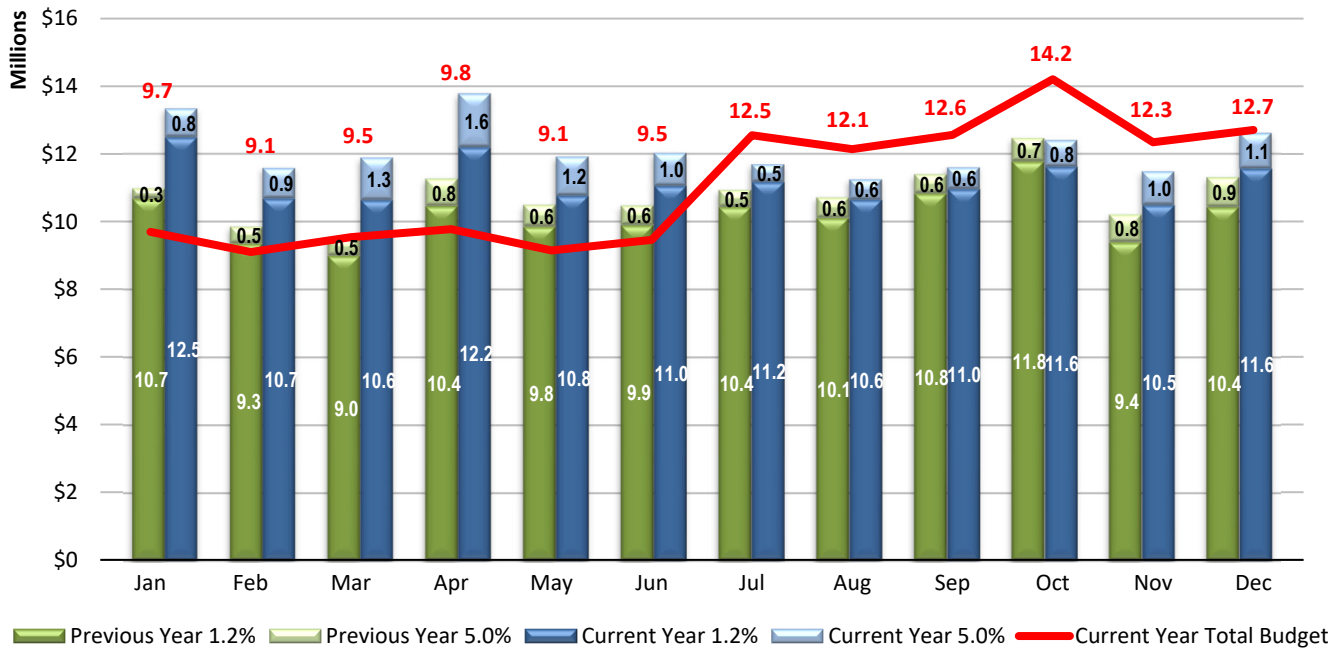
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2013/14 through FY 2022/23. General Fund sales and bed tax revenue for FY 2022/23 is up 6.1% or \$4.1 million over the prior year to date period.

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



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 \$3.9 million below revenue projections, General Fund bed tax is \$1.6 million below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$5.5 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 - November

### Fiscal Year to Date - November

	2019-20		2020-21		2021-22		2022-23		2019-20		2020-21		2021-22		2022-23	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
<b>Taxable Sales</b>																
Total Taxable Sales	826,634,000	16.3%	754,593,000	-8.7%	905,444,000	20.0%	983,736,000	8.6%	4,712,121,000	8.4%	4,613,840,000	-2.1%	5,441,076,000	17.9%	5,706,020,000	4.9%
Retail Taxable Sales	448,257,000	10.2%	437,187,000	-2.5%	530,230,000	21.3%	510,803,000	-3.7%	2,512,702,000	5.0%	2,662,564,000	6.0%	3,131,545,000	17.6%	3,023,286,000	-3.5%
<b>Tax Revenues by Fund</b>																
<b>General Fund</b>																
Privilege Tax (1.2%)	9,430,000	16.0%	8,762,000	-7.1%	10,416,000	18.9%	11,552,000	10.9%	54,052,000	8.2%	53,784,000	-0.5%	62,912,000	17.0%	66,396,000	5.5%
Bed Tax (5.0%)	890,000	24.3%	367,000	-58.8%	875,000	138.4%	1,055,000	20.6%	3,917,000	21.5%	1,876,000	-52.1%	4,020,000	114.3%	4,607,000	14.6%
Privilege Tax Rebates	276,000	21.6%	205,000	-25.7%	239,000	16.6%	-	-100.0%	1,553,000	8.1%	1,132,000	-27.1%	1,416,000	25.1%	971,000	-31.4%
<b>Total General Fund</b>	<b>10,596,000</b>	<b>16.8%</b>	<b>9,334,000</b>	<b>-11.9%</b>	<b>11,530,000</b>	<b>23.5%</b>	<b>12,607,000</b>	<b>9.3%</b>	<b>59,522,000</b>	<b>9.0%</b>	<b>56,792,000</b>	<b>-4.6%</b>	<b>68,348,000</b>	<b>20.3%</b>	<b>71,974,000</b>	<b>5.3%</b>
<b>Transit Fund</b>																
Privilege Tax (0.5%)	3,929,000	16.0%	3,651,000	-7.1%	4,340,000	18.9%	4,813,000	10.9%	22,543,000	8.2%	22,411,000	-0.6%	26,214,000	17.0%	27,665,000	5.5%
Privilege Tax Rebates	115,000	21.1%	85,000	-26.1%	99,000	16.5%	-	-100.0%	626,000	6.1%	471,000	-24.8%	589,000	25.1%	404,000	-31.4%
<b>Total Transit Fund</b>	<b>4,044,000</b>	<b>16.2%</b>	<b>3,736,000</b>	<b>-7.6%</b>	<b>4,439,000</b>	<b>18.8%</b>	<b>4,813,000</b>	<b>8.4%</b>	<b>23,169,000</b>	<b>8.2%</b>	<b>22,882,000</b>	<b>-1.2%</b>	<b>26,803,000</b>	<b>17.1%</b>	<b>28,069,000</b>	<b>4.7%</b>
<b>Arts &amp; Culture Fund</b>																
Privilege Tax (0.1%)	809,000	16.2%	747,000	-7.7%	888,000	18.9%	963,000	8.4%	4,634,000	8.2%	4,576,000	-1.3%	5,361,000	17.2%	5,614,000	4.7%
<b>Total Arts &amp; Culture Fund</b>	<b>809,000</b>	<b>16.2%</b>	<b>747,000</b>	<b>-7.7%</b>	<b>888,000</b>	<b>18.9%</b>	<b>963,000</b>	<b>8.4%</b>	<b>4,634,000</b>	<b>8.2%</b>	<b>4,576,000</b>	<b>-1.3%</b>	<b>5,361,000</b>	<b>17.2%</b>	<b>5,614,000</b>	<b>4.7%</b>
<b>Totals</b>	<b>15,449,000</b>	<b>16.6%</b>	<b>13,817,000</b>	<b>-10.6%</b>	<b>16,857,000</b>	<b>22.0%</b>	<b>18,383,000</b>	<b>9.1%</b>	<b>87,325,000</b>	<b>-45.6%</b>	<b>84,250,000</b>	<b>-3.5%</b>	<b>100,512,000</b>	<b>19.3%</b>	<b>105,657,000</b>	<b>5.1%</b>
<b>Tax Revenues by Business Activities</b>																
Retail	8,069,000	10.2%	7,768,000	-3.7%	9,544,000	22.9%	8,604,000	-9.8%	45,229,000	5.0%	47,825,000	5.7%	56,368,000	17.9%	53,181,000	-5.7%
Rentals	2,764,000	17.4%	2,720,000	-1.6%	3,208,000	17.9%	3,412,000	6.4%	15,595,000	9.2%	16,070,000	3.0%	18,117,000	12.7%	20,717,000	14.4%
Utilities/Communication	537,000	-4.1%	536,000	-0.2%	587,000	9.5%	573,000	-2.4%	4,536,000	-3.1%	4,507,000	-0.6%	4,550,000	1.0%	4,788,000	5.2%
Restaurants	1,204,000	9.5%	944,000	-21.6%	1,325,000	40.4%	1,424,000	7.5%	6,593,000	4.9%	5,256,000	-20.3%	7,676,000	46.0%	8,324,000	8.4%
Contracting	1,015,000	44.2%	826,000	-18.6%	671,000	-18.8%	1,078,000	60.7%	6,829,000	19.7%	6,020,000	-11.8%	4,782,000	-20.6%	5,754,000	20.3%
Hotel/Motel	333,000	24.7%	155,000	-53.5%	327,000	111.0%	410,000	25.4%	1,426,000	15.5%	730,000	-48.8%	1,534,000	110.1%	1,805,000	17.7%
Transient (Bed Tax)	890,000	24.3%	367,000	-58.8%	875,000	138.4%	1,055,000	20.6%	3,917,000	21.5%	1,876,000	-52.1%	4,020,000	114.3%	4,607,000	14.6%
Non-Recurring Business Activities	419,000	3391.7%	378,000	-9.8%	33,000	-91.3%	1,495,000	4430.3%	2,015,000	268.4%	1,243,000	-38.3%	2,059,000	65.6%	4,855,000	135.8%
Amusements	129,000	29.0%	72,000	-44.2%	139,000	93.1%	203,000	46.0%	713,000	11.2%	315,000	-55.8%	779,000	147.3%	1,012,000	29.9%
All Other	90,000	-17.4%	52,000	-42.2%	148,000	184.6%	130,000	-12.2%	472,000	-99.4%	408,000	-13.6%	627,000	53.7%	614,000	-2.1%
<b>Totals</b>	<b>15,449,000</b>	<b>16.6%</b>	<b>13,817,000</b>	<b>-10.6%</b>	<b>16,857,000</b>	<b>22.0%</b>	<b>18,383,000</b>	<b>9.1%</b>	<b>87,325,000</b>	<b>-45.6%</b>	<b>84,250,000</b>	<b>-3.5%</b>	<b>100,512,000</b>	<b>19.3%</b>	<b>105,657,000</b>	<b>5.1%</b>
<b>Retail Tax Revenues by Activities</b>																
Automotive	1,221,000	10.2%	1,148,000	-6.0%	1,222,000	6.4%	1,334,000	9.2%	6,979,000	3.4%	6,957,000	-0.3%	7,857,000	12.9%	8,175,000	4.0%
Building Supply Stores	271,000	0.7%	318,000	17.3%	391,000	23.0%	391,000	0.0%	1,797,000	7.0%	2,044,000	13.7%	2,374,000	16.1%	2,564,000	8.0%
Department Stores	1,123,000	1.4%	1,056,000	-6.0%	1,195,000	13.2%	1,260,000	5.4%	6,061,000	2.8%	6,048,000	-0.2%	6,849,000	13.2%	7,253,000	5.9%
Drug/Small Stores	1,129,000	1.5%	1,234,000	9.3%	1,375,000	11.4%	1,380,000	0.4%	6,819,000	10.5%	7,559,000	10.9%	7,953,000	5.2%	7,526,000	-5.4%
Furniture/Equipment/Electronics	533,000	-12.5%	511,000	-4.1%	585,000	14.5%	607,000	3.8%	3,419,000	-2.8%	3,725,000	8.9%	4,104,000	10.2%	2,076,000	-49.4%
Grocery Stores	881,000	11.8%	886,000	0.6%	848,000	-4.3%	975,000	15.0%	4,709,000	1.8%	5,008,000	6.3%	4,931,000	-1.5%	5,438,000	10.3%
Manufacturing Firms	600,000	-15.4%	510,000	-15.0%	1,230,000	141.2%	485,000	-60.6%	3,651,000	-12.8%	3,465,000	-5.1%	5,687,000	64.1%	2,628,000	-53.8%
All Other Retail	2,311,000	42.5%	2,105,000	-8.9%	2,698,000	28.2%	2,172,000	-19.5%	11,794,000	15.1%	13,019,000	10.4%	16,613,000	27.6%	17,521,000	5.5%
<b>Totals</b>	<b>8,069,000</b>	<b>10.2%</b>	<b>7,768,000</b>	<b>-3.7%</b>	<b>9,544,000</b>	<b>22.9%</b>	<b>8,604,000</b>	<b>-9.8%</b>	<b>45,229,000</b>	<b>5.0%</b>	<b>47,825,000</b>	<b>5.7%</b>	<b>56,368,000</b>	<b>17.9%</b>	<b>53,181,000</b>	<b>-5.7%</b>

## 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	10,485,000	(944,000)	-8.3%
Dec	8.4%	11,853,000	11,552,000	(301,000)	-2.5%
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			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 140,575,000</b>	<b>\$ 66,396,000</b>	<b>\$ (3,943,000)</b>	<b>-2.8%</b>

#### Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	8.4%	\$ 11,776,000	\$ 11,159,000	\$ (617,000)	-5.2%
Jul-Aug	1	16.3%	22,937,000	21,800,000	(1,137,000)	-5.0%
Jul-Sep	1	24.3%	34,223,000	32,751,000	(1,472,000)	-4.3%
Jul-Oct	1	33.5%	47,057,000	44,359,000	(2,698,000)	-5.7%
Jul-Nov	1	41.6%	58,486,000	54,844,000	(3,642,000)	-6.2%
Jul-Dec	1	50.0%	70,339,000	66,396,000	(3,943,000)	-5.6%
Jul-Jan	1	59.2%	83,277,000			
Jul-Feb	1	67.2%	94,478,000			
Jul-Mar	1	75.5%	106,196,000			
Jul-Apr	1	84.0%	118,092,000			
Jul-May	1	91.9%	129,145,000			
Jul-Jun	1	100.0%	140,575,000			

#### Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 137,926,000	\$ 140,575,000	\$ (2,649,000)	-1.9%
% Received	\$ 132,695,000	\$ 140,575,000	\$ (7,880,000)	-5.6%

### 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	991,000	76,000	8.3%
Dec	7.9%	855,000	1,055,000	200,000	23.4%
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			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 10,878,000</b>	<b>\$ 4,607,000</b>	<b>\$ (1,565,000)</b>	<b>-14.4%</b>

#### Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	7.1%	\$ 772,000	\$ 525,000	\$ (247,000)	-32.0%
Jul-Aug	1	16.1%	1,750,000	1,127,000	(623,000)	-35.6%
Jul-Sep	1	27.8%	3,026,000	1,773,000	(1,253,000)	-41.4%
Jul-Oct	1	40.5%	4,402,000	2,561,000	(1,841,000)	-41.8%
Jul-Nov	1	48.9%	5,317,000	3,552,000	(1,765,000)	-33.2%
Jul-Dec	1	56.7%	6,172,000	4,607,000	(1,565,000)	-25.4%
Jul-Jan	1	62.3%	6,777,000			
Jul-Feb	1	68.4%	7,437,000			
Jul-Mar	1	75.2%	8,176,000			
Jul-Apr	1	82.5%	8,979,000			
Jul-May	1	90.9%	9,893,000			
Jul-Jun	1	100.0%	10,878,000			

#### Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 12,297,000	\$ 10,878,000	\$ 1,419,000	13.0%
% Received	\$ 8,120,000	\$ 10,878,000	\$ (2,758,000)	-25.4%

### 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	11,476,000	(868,000)	-7.0%
Dec	8.4%	12,708,000	12,607,000	(101,000)	-0.8%
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			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 151,453,000</b>	<b>\$ 71,003,000</b>	<b>\$ (5,508,000)</b>	<b>-3.6%</b>

#### Cumulative Amounts

		2022-23 Budget		2022-23 Actual	Over / (Under)	
		Percent	Amount		Amount	Percent
Jul	1	8.3%	\$ 12,548,000	\$ 11,684,000	\$ (864,000)	-6.9%
Jul-Aug	1	16.3%	24,687,000	22,927,000	(1,760,000)	-7.1%
Jul-Sep	1	24.6%	37,249,000	34,524,000	(2,725,000)	-7.3%
Jul-Oct	1	34.0%	51,459,000	46,920,000	(4,539,000)	-8.8%
Jul-Nov	1	42.1%	63,803,000	58,396,000	(5,407,000)	-8.5%
Jul-Dec	1	50.5%	76,511,000	71,003,000	(5,508,000)	-7.2%
Jul-Jan	1	59.5%	90,054,000			
Jul-Feb	1	67.3%	101,915,000			
Jul-Mar	1	75.5%	114,372,000			
Jul-Apr	1	83.9%	127,071,000			
Jul-May	1	91.8%	139,038,000			
Jul-Jun	1	100.0%	151,453,000			

#### Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 150,021,000	\$ 151,453,000	\$ (1,432,000)	-0.9%
% Received	\$ 140,550,000	\$ 151,453,000	\$ (10,903,000)	-7.2%