

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: June 30, 2023
SUBJECT: Tax Revenue Statistical Report – May 2023

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 May 2023 report summarizes our analysis of the April sales activity reported to the Arizona Department of Revenue (ADOR).

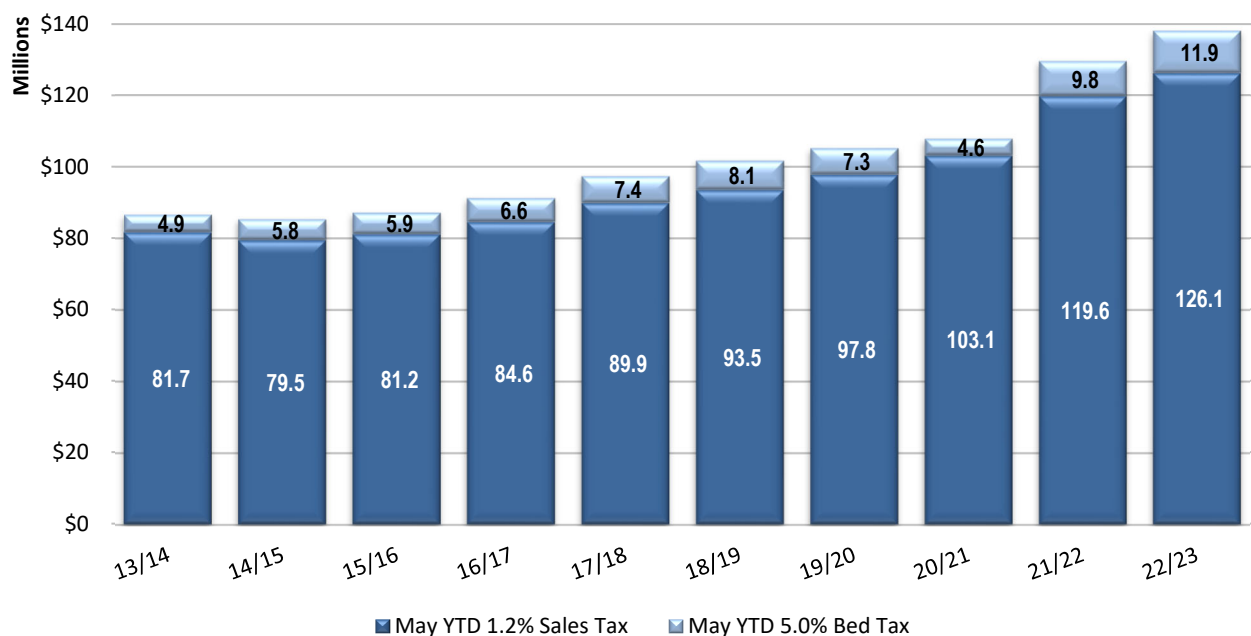
Overall Highlights

Total fiscal year to date taxable sales increased by 4.0% over the same year to date period in the prior fiscal year. Total sales tax revenue is up 4.6% or \$8.8 million, due to growth in rentals (\$5.1 million), combined hotel/motel and bed tax (\$2.9 million), and non-recurring business activities (\$2.8 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

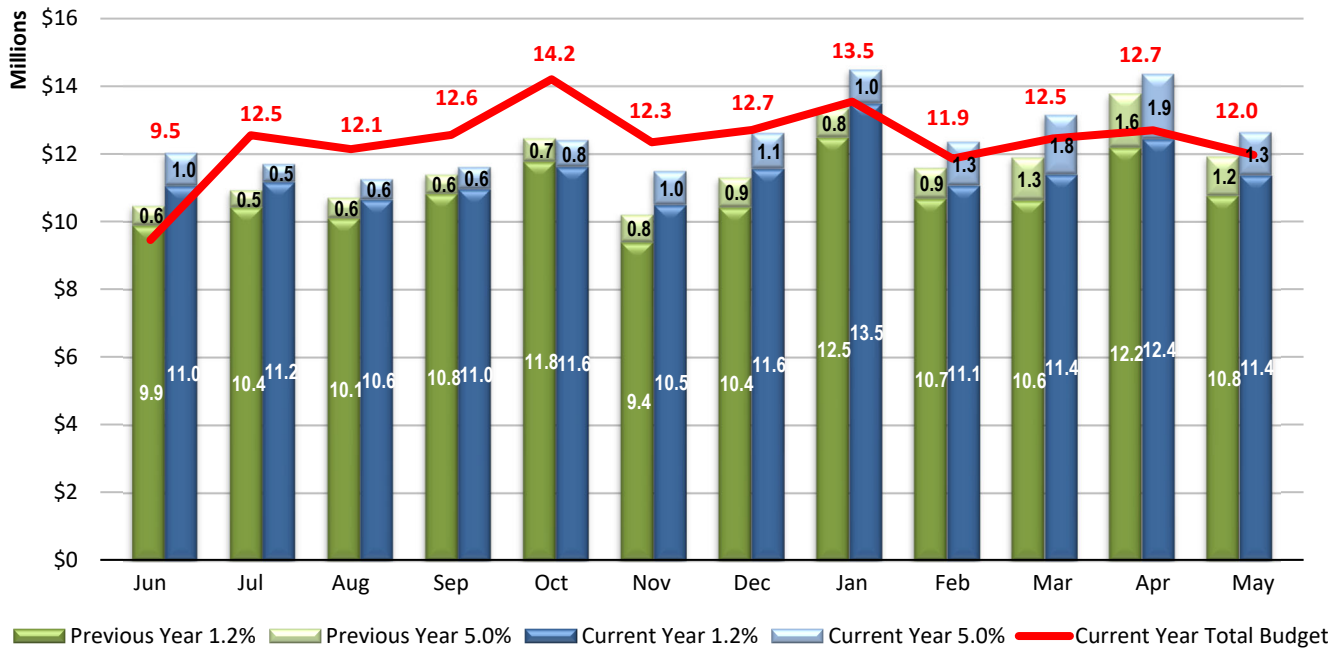
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2013/14 through FY 2022/23. General Fund sales and bed tax revenue for FY 2022/23 is up 6.6% or \$8.6 million over the prior year to date period.

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



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 \$3.0 million below revenue projections, General Fund bed tax is \$1.9 million above projections, and the combined General Fund sales and bed tax collections for the General Fund are \$1.1 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 - May

Fiscal Year to Date - May

	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
Taxable Sales																
Total Taxable Sales	626,249,000	-14.7%	852,387,000	36.1%	943,067,000	10.6%	972,030,000	3.1%	8,505,786,000	3.7%	8,873,002,000	4.3%	10,411,691,000	17.3%	10,827,129,000	4.0%
Retail Taxable Sales	362,978,000	-8.7%	471,130,000	29.8%	545,960,000	15.9%	516,532,000	-5.4%	4,664,693,000	5.3%	5,191,995,000	11.3%	6,005,837,000	15.7%	5,825,632,000	-3.0%
Tax Revenues by Fund																
General Fund																
Privilege Tax (1.2%)	7,381,000	-11.6%	9,846,000	33.4%	10,761,000	9.3%	11,359,000	5.6%	97,769,000	4.5%	103,084,000	5.4%	119,644,000	16.1%	126,109,000	5.4%
Bed Tax (5.0%)	196,000	-76.8%	631,000	221.9%	1,154,000	82.9%	1,272,000	10.2%	7,313,000	-9.3%	4,625,000	-36.8%	9,764,000	111.1%	11,855,000	21.4%
Privilege Tax Rebates	87,000	-66.0%	231,000	165.5%	279,000	20.8%	-	-100.0%	2,545,000	-14.5%	2,282,000	-10.3%	2,953,000	29.4%	971,000	-67.1%
Total General Fund	7,664,000	-18.9%	10,708,000	39.7%	12,194,000	13.9%	12,631,000	3.6%	107,627,000	2.9%	109,991,000	2.2%	132,361,000	20.3%	138,935,000	5.0%
Transit Fund																
Privilege Tax (0.5%)	3,076,000	-11.7%	4,103,000	33.4%	4,484,000	9.3%	4,733,000	5.6%	40,759,000	4.5%	42,953,000	5.4%	49,853,000	16.1%	52,546,000	5.4%
Privilege Tax Rebates	36,000	-65.4%	96,000	166.7%	116,000	20.8%	-	-100.0%	1,039,000	-14.1%	950,000	-8.6%	1,229,000	29.4%	404,000	-67.1%
Total Transit Fund	3,112,000	-13.2%	4,199,000	34.9%	4,600,000	9.5%	4,733,000	2.9%	41,798,000	4.0%	43,903,000	5.0%	51,082,000	16.4%	52,950,000	3.7%
Arts & Culture Fund																
Privilege Tax (0.1%)	622,000	-13.2%	840,000	35.0%	920,000	9.5%	947,000	2.9%	8,360,000	4.0%	8,781,000	5.0%	10,216,000	16.3%	10,590,000	3.7%
Total Arts & Culture Fund	622,000	-13.2%	840,000	35.0%	920,000	9.5%	947,000	2.9%	8,360,000	4.0%	8,781,000	5.0%	10,216,000	16.3%	10,590,000	3.7%
Totals	11,398,000	-17.1%	15,747,000	38.2%	17,714,000	12.5%	18,311,000	3.4%	157,785,000	-48.4%	162,675,000	3.1%	193,659,000	19.0%	202,475,000	4.6%
Tax Revenues by Business Activities																
Retail	6,534,000	-8.7%	6,571,000	0.6%	9,827,000	49.6%	9,018,000	-8.2%	83,964,000	5.3%	91,309,000	8.7%	108,105,000	18.4%	103,219,000	-4.5%
Rentals	2,360,000	-7.2%	2,698,000	14.3%	2,640,000	-2.1%	3,449,000	30.6%	28,832,000	4.7%	30,207,000	4.8%	33,754,000	11.7%	38,840,000	15.1%
Utilities/Communication	480,000	-9.8%	507,000	5.6%	542,000	6.9%	517,000	-4.6%	7,085,000	-3.3%	6,993,000	-1.3%	7,163,000	2.4%	7,594,000	6.0%
Restaurants	609,000	-51.3%	1,292,000	112.2%	1,490,000	15.3%	1,594,000	7.0%	11,444,000	-7.4%	10,859,000	-5.1%	14,851,000	36.8%	16,204,000	9.1%
Contracting	1,055,000	24.4%	695,000	-34.1%	937,000	34.8%	1,308,000	39.6%	12,320,000	12.1%	10,439,000	-15.3%	10,622,000	1.8%	11,101,000	4.5%
Hotel/Motel	74,000	-76.5%	241,000	225.7%	447,000	85.5%	486,000	8.7%	2,694,000	-11.1%	1,786,000	-33.7%	3,723,000	108.5%	4,693,000	26.1%
Transient (Bed Tax)	196,000	-76.8%	631,000	221.9%	1,154,000	82.9%	1,158,000	0.3%	7,313,000	-9.3%	4,625,000	-36.8%	9,764,000	111.1%	11,741,000	20.2%
Non-Recurring Business Activities	30,000	-41.2%	2,957,000	9756.7%	466,000	-84.2%	528,000	13.3%	2,056,000	47.3%	4,905,000	138.6%	3,120,000	-36.4%	5,908,000	89.4%
Amusements	2,000	-98.3%	84,000	4100.0%	136,000	61.9%	181,000	33.1%	1,217,000	-7.1%	722,000	-40.7%	1,483,000	105.4%	1,974,000	33.1%
All Other	58,000	-34.8%	71,000	22.4%	75,000	5.6%	70,000	-6.7%	859,000	-99.4%	829,000	-3.5%	1,074,000	29.6%	1,202,000	11.9%
Totals	11,398,000	-17.1%	15,747,000	38.2%	17,714,000	12.5%	18,311,000	3.4%	157,785,000	-48.4%	162,675,000	3.1%	193,659,000	19.0%	202,475,000	4.6%
Retail Tax Revenues by Activities																
Automotive	875,000	-21.2%	1,490,000	70.3%	1,508,000	1.2%	1,404,000	-6.9%	12,342,000	0.1%	13,673,000	10.8%	14,949,000	9.3%	14,930,000	-0.1%
Building Supply Stores	355,000	6.3%	437,000	23.1%	514,000	17.6%	436,000	-15.2%	3,379,000	7.2%	3,884,000	14.9%	4,543,000	17.0%	4,580,000	0.8%
Department Stores	758,000	-22.7%	1,139,000	50.3%	1,150,000	1.0%	1,143,000	-0.6%	11,097,000	0.5%	11,953,000	7.7%	12,952,000	8.4%	13,429,000	3.7%
Drug/Small Stores	850,000	-23.1%	1,368,000	60.9%	1,346,000	-1.6%	1,280,000	-4.9%	12,735,000	6.9%	14,664,000	15.1%	15,259,000	4.1%	14,675,000	-3.8%
Furniture/Equipment/Electronics	415,000	-19.4%	590,000	42.2%	638,000	8.1%	533,000	-16.5%	5,897,000	-4.0%	7,118,000	20.7%	7,703,000	8.2%	5,009,000	-35.0%
Grocery Stores	864,000	5.8%	837,000	-3.1%	1,226,000	46.5%	959,000	-21.8%	9,359,000	3.9%	9,567,000	2.2%	10,386,000	8.6%	10,734,000	3.4%
Manufacturing Firms	517,000	-3.5%	317,000	-38.7%	506,000	59.6%	398,000	-21.3%	6,466,000	-10.4%	6,705,000	3.7%	10,057,000	50.0%	4,931,000	-51.0%
All Other Retail	1,900,000	8.0%	393,000	-79.3%	2,939,000	647.8%	2,865,000	-2.5%	22,689,000	19.7%	23,745,000	4.7%	32,256,000	35.8%	34,931,000	8.3%
Totals	6,534,000	-8.7%	6,571,000	0.6%	9,827,000	49.6%	9,018,000	-8.2%	83,964,000	5.3%	91,309,000	8.7%	108,105,000	18.4%	103,219,000	-4.5%

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	10,484,000	(945,000)	-8.3%
Dec	8.4%	11,853,000	11,552,000	(301,000)	-2.5%
Jan	9.2%	12,938,000	13,484,000	546,000	4.2%
Feb	8.0%	11,201,000	11,058,000	(143,000)	-1.3%
Mar	8.3%	11,718,000	11,383,000	(335,000)	-2.9%
Apr	8.5%	11,896,000	12,430,000	534,000	4.5%
May	7.9%	11,053,000	11,359,000	306,000	2.8%
Jun	8.1%	11,430,000			
Totals	100.0%	\$ 140,575,000	\$ 126,109,000	\$ (3,036,000)	-2.2%

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	54,843,000	(3,643,000)	-6.2%
Jul-Dec	50.0%	70,339,000	66,395,000	(3,944,000)	-5.6%
Jul-Jan	59.2%	83,277,000	79,879,000	(3,398,000)	-4.1%
Jul-Feb	67.2%	94,478,000	90,937,000	(3,541,000)	-3.7%
Jul-Mar	75.5%	106,196,000	102,320,000	(3,876,000)	-3.6%
Jul-Apr	84.0%	118,092,000	114,750,000	(3,342,000)	-2.8%
Jul-May	91.9%	129,145,000	126,109,000	(3,036,000)	-2.4%
Jul-Jun	100.0%	140,575,000			

Tax and License Annual Privilege Tax Revenue Projections

	Privilege Tax		Over / (Under)	
	Method	Projected Budget	Amount	Percent
% of Increase	\$ 137,753,000	\$ 140,575,000	\$ (2,822,000)	-2.0%
% Received	\$ 137,270,000	\$ 140,575,000	\$ (3,305,000)	-2.4%

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	992,000	77,000	8.4%
Dec	7.9%	855,000	1,055,000	200,000	23.4%
Jan	5.6%	605,000	1,001,000	396,000	65.5%
Feb	6.1%	660,000	1,291,000	631,000	95.6%
Mar	6.8%	739,000	1,758,000	1,019,000	137.9%
Apr	7.4%	803,000	1,925,000	1,122,000	139.7%
May	8.4%	914,000	1,272,000	358,000	39.2%
Jun	9.1%	985,000			
Totals	100.0%	\$ 10,878,000	\$ 11,855,000	\$ 1,962,000	18.0%

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	3,553,000	(1,764,000)	-33.2%
Jul-Dec	56.7%	6,172,000	4,608,000	(1,564,000)	-25.3%
Jul-Jan	62.3%	6,777,000	5,609,000	(1,168,000)	-17.2%
Jul-Feb	68.4%	7,437,000	6,900,000	(537,000)	-7.2%
Jul-Mar	75.2%	8,176,000	8,658,000	482,000	5.9%
Jul-Apr	82.5%	8,979,000	10,583,000	1,604,000	17.9%
Jul-May	90.9%	9,893,000	11,855,000	1,962,000	19.8%
Jul-Jun	100.0%	10,878,000			

Tax and License Annual Privilege Tax Revenue Projections

	Bed Tax		Over / (Under)	
	Method	Projected Budget	Amount	Percent
% of Increase	\$ 13,032,000	\$ 10,878,000	\$ 2,154,000	19.8%
% Received	\$ 13,035,000	\$ 10,878,000	\$ 2,157,000	19.8%

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	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	14,485,000	942,000	7.0%
Feb	7.8%	11,861,000	12,349,000	488,000	4.1%
Mar	8.2%	12,457,000	13,141,000	684,000	5.5%
Apr	8.4%	12,699,000	14,355,000	1,656,000	13.0%
May	7.9%	11,967,000	12,631,000	664,000	5.5%
Jun	8.2%	12,415,000			
Totals	100.0%	\$ 151,453,000	\$ 137,964,000	\$ (1,074,000)	-0.7%

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	58,396,000	(5,407,000)	-8.5%
Jul-Dec	50.5%	76,511,000	71,003,000	(5,508,000)	-7.2%
Jul-Jan	59.5%	90,054,000	85,488,000	(4,566,000)	-5.1%
Jul-Feb	67.3%	101,915,000	97,837,000	(4,078,000)	-4.0%
Jul-Mar	75.5%	114,372,000	110,978,000	(3,394,000)	-3.0%
Jul-Apr	83.9%	127,071,000	125,333,000	(1,738,000)	-1.4%
Jul-May	91.8%	139,038,000	137,964,000	(1,074,000)	-0.8%
Jul-Jun	100.0%	151,453,000			

Tax and License Annual Privilege Tax Revenue Projections

	Total Tax		Over / (Under)	
	Method	Projected Budget	Amount	Percent
% of Increase	\$ 150,774,000	\$ 151,453,000	\$ (679,000)	-0.4%
% Received	\$ 150,283,000	\$ 151,453,000	\$ (1,170,000)	-0.8%