

# MEMORANDUM



TO: Mayor and Council  
FROM: Lauri Oszakiewski, Municipal Budget & Finance Analyst  
THROUGH: Mark Day, Municipal Budget Director  
DATE: September 29, 2023  
SUBJECT: Tax Revenue Statistical Report – August 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 August 2023 report summarizes our analysis of the July sales activity reported to the Arizona Department of Revenue (ADOR).

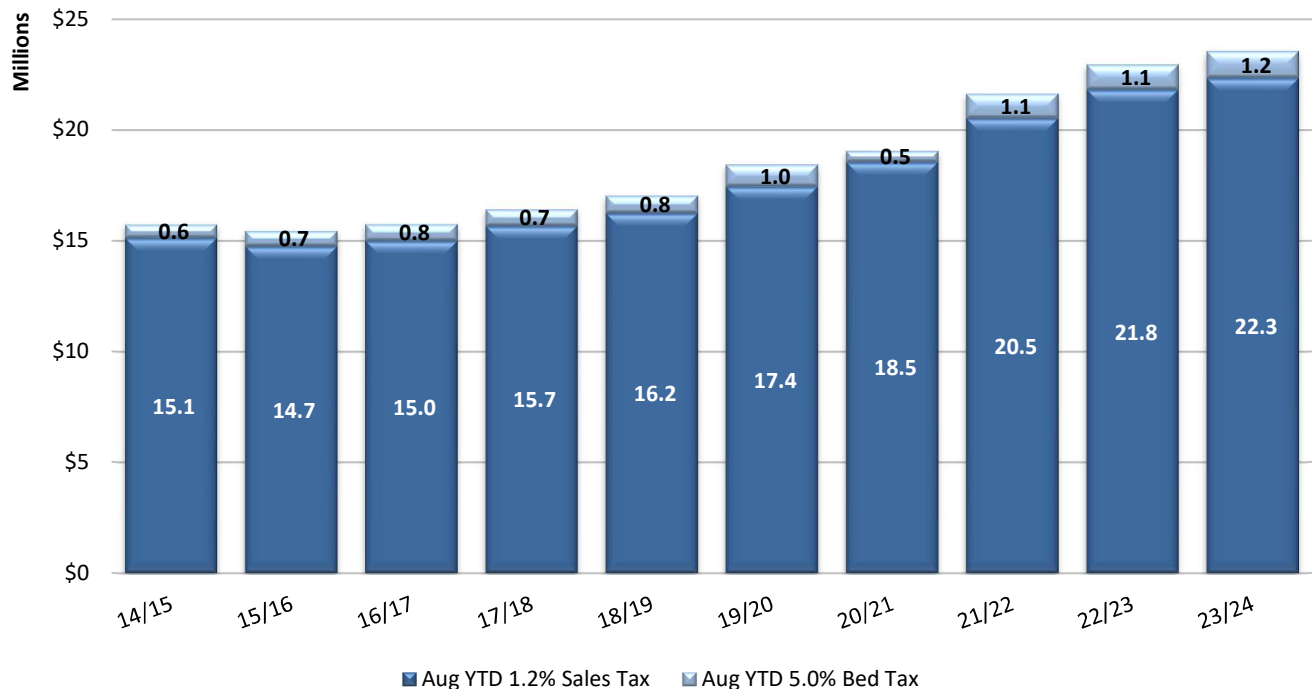
## Overall Highlights

Total fiscal year to date taxable *sales* increased by 0.7% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 0.9% or \$300 thousand, due to growth in non-recurring business activities (\$930 thousand), rental (\$178 thousand), and combined hotel/motel and bed tax (\$138 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

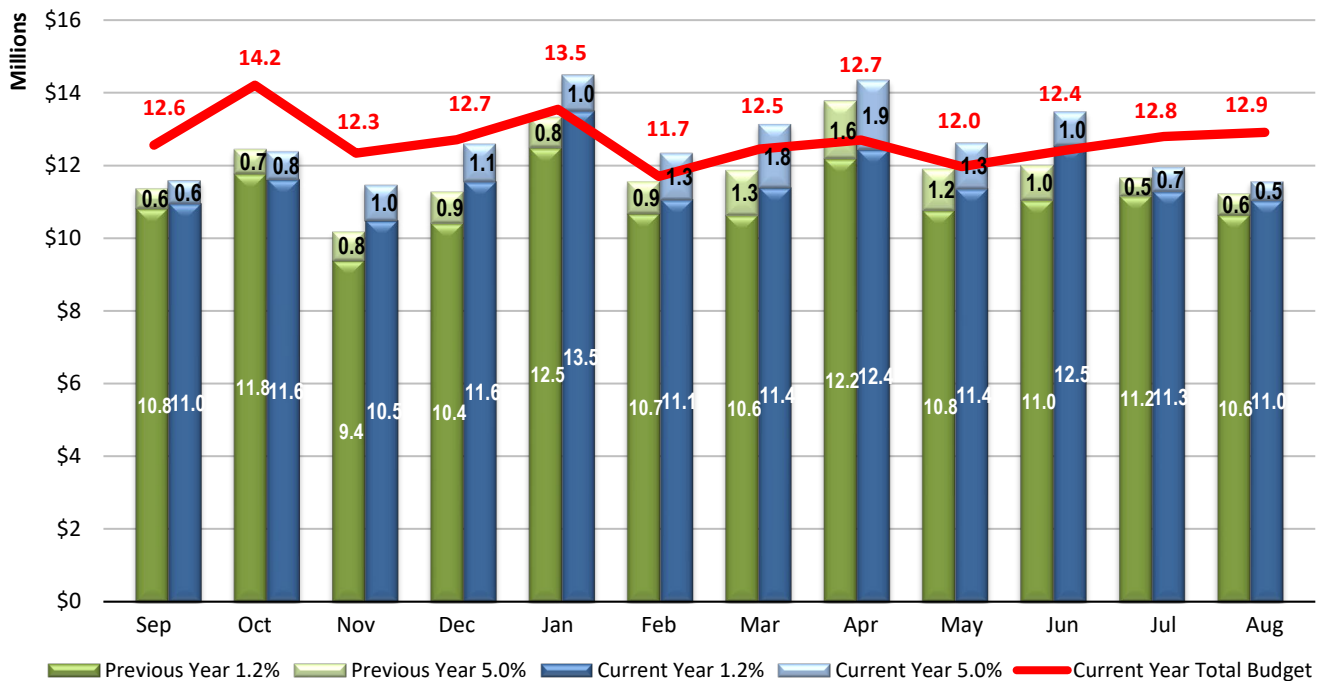
As the General Fund portion of the City’s sales and bed tax revenue collections represents the General Fund’s largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2014/15 through FY 2023/24. General Fund sales and bed tax revenue for FY 2023/24 is up 2.7% or \$614 thousand over the prior year to date period.

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



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 2023/24 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 2023/24 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 \$1.4 million below revenue projections, General Fund bed tax is \$751 thousand below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$2.2 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. Sales and bed tax collections will experience variances from our projections that were based on historical trends. This is due to a variety of factors including including inflation, supply and labor shortages and fluctuations in the overall economy. In the future, if sales and bed tax collections continue to 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 - August	2020-21	Change	2021-22	Change	2022-23	Change	2023-24	Change
<b>Taxable Sales</b>								
Total Taxable Sales	764,007,000	-1.9%	871,978,000	14.1%	924,817,000	6.1%	931,468,000	0.7%
Retail Taxable Sales	444,050,000	2.2%	517,703,000	16.6%	503,402,000	-2.8%	529,761,000	5.2%
<b>Tax Revenues by Fund</b>								
General Fund								
Privilege Tax (1.2%)	8,955,000	-0.3%	10,099,000	12.8%	10,641,000	5.4%	11,037,000	3.7%
Bed Tax (5.0%)	236,000	-48.0%	597,000	153.0%	602,000	0.8%	535,000	-11.1%
Privilege Tax Rebates	156,000	-37.8%	222,000	42.3%	312,000	40.5%	22,000	-92.9%
<b>Total General Fund</b>	<b>9,347,000</b>	<b>-3.5%</b>	<b>10,918,000</b>	<b>16.8%</b>	<b>11,555,000</b>	<b>5.8%</b>	<b>11,594,000</b>	<b>0.3%</b>
Transit Fund								
Privilege Tax (0.5%)	3,731,000	-0.4%	4,208,000	12.8%	4,434,000	5.4%	4,603,000	3.8%
Privilege Tax Rebates	65,000	-36.3%	92,000	41.5%	130,000	41.3%	-	-100.0%
<b>Total Transit Fund</b>	<b>3,796,000</b>	<b>-1.4%</b>	<b>4,300,000</b>	<b>13.3%</b>	<b>4,564,000</b>	<b>6.1%</b>	<b>4,603,000</b>	<b>0.9%</b>
Arts & Culture Fund								
Privilege Tax (0.1%)	759,000	-1.4%	860,000	13.3%	913,000	6.2%	921,000	0.9%
<b>Total Arts &amp; Culture Fund</b>	<b>759,000</b>	<b>-1.4%</b>	<b>860,000</b>	<b>13.3%</b>	<b>913,000</b>	<b>6.2%</b>	<b>921,000</b>	<b>0.9%</b>
<b>Totals</b>	<b>13,902,000</b>	<b>-2.8%</b>	<b>16,078,000</b>	<b>15.7%</b>	<b>17,032,000</b>	<b>5.9%</b>	<b>17,118,000</b>	<b>0.5%</b>
<b>Tax Revenues by Business Activities</b>								
Retail	7,993,000	2.2%	9,319,000	16.6%	9,061,000	-2.8%	7,602,000	-16.1%
Rentals	2,716,000	9.0%	2,890,000	6.4%	3,436,000	18.9%	3,405,000	-0.9%
Utilities/Communication	838,000	-1.8%	851,000	1.6%	964,000	13.3%	822,000	-14.7%
Restaurants	742,000	-27.8%	1,235,000	66.4%	1,294,000	4.8%	1,321,000	2.1%
Contracting	1,221,000	0.0%	705,000	-42.3%	985,000	39.7%	1,031,000	4.7%
Hotel/Motel	89,000	-48.3%	231,000	159.6%	242,000	4.8%	225,000	-7.0%
Transient (Bed Tax)	236,000	-48.0%	597,000	153.0%	602,000	0.8%	547,000	-9.1%
Non-Recurring Business Activities	-	-100.0%	73,000	100.0%	200,000	174.0%	1,945,000	872.5%
Amusements	17,000	-86.6%	117,000	588.2%	188,000	60.7%	175,000	-6.9%
All Other	51,000	-3.8%	60,000	17.6%	60,000	0.0%	45,000	-25.0%
<b>Totals</b>	<b>13,902,000</b>	<b>-2.8%</b>	<b>16,078,000</b>	<b>15.7%</b>	<b>17,032,000</b>	<b>5.9%</b>	<b>17,118,000</b>	<b>0.5%</b>
<b>Retail Tax Revenues by Activities</b>								
Automotive	1,102,000	-2.5%	1,367,000	24.0%	1,350,000	-1.2%	1,911,000	41.6%
Building Supply Stores	361,000	15.3%	401,000	11.1%	436,000	8.7%	421,000	-3.4%
Department Stores	903,000	-7.4%	1,088,000	20.5%	1,150,000	5.7%	1,146,000	-0.3%
Drug/Small Stores	1,243,000	4.2%	1,211,000	-2.6%	1,286,000	6.2%	1,312,000	2.0%
Furniture/Equipment/Electronics	728,000	25.5%	739,000	1.5%	550,000	-25.6%	343,000	-37.6%
Grocery Stores	833,000	9.9%	733,000	-12.0%	823,000	12.3%	915,000	11.2%
Manufacturing Firms	550,000	-29.2%	726,000	32.0%	417,000	-42.6%	440,000	5.5%
All Other Retail	2,273,000	8.4%	3,054,000	34.4%	3,049,000	-0.2%	1,114,000	-63.5%
<b>Totals</b>	<b>7,993,000</b>	<b>2.2%</b>	<b>9,319,000</b>	<b>16.6%</b>	<b>9,061,000</b>	<b>-2.8%</b>	<b>7,602,000</b>	<b>-16.1%</b>
<b>Fiscal Year to Date - August</b>								
<b>Taxable Sales</b>								
Total Taxable Sales	1,583,915,000	4.5%	1,771,104,000	11.8%	1,874,408,000	5.8%	1,887,616,000	0.7%
Retail Taxable Sales	904,791,000	8.2%	1,051,389,000	16.2%	995,348,000	-5.3%	1,054,098,000	5.9%
<b>Tax Revenues by Fund</b>								
General Fund								
Privilege Tax (1.2%)	18,542,000	6.3%	20,521,000	10.7%	21,801,000	6.2%	22,320,000	2.4%
Bed Tax (5.0%)	505,000	-49.4%	1,092,000	116.2%	1,127,000	3.2%	1,222,000	8.4%
Privilege Tax Rebates	344,000	-33.6%	470,000	36.6%	422,000	-10.2%	42,000	-90.0%
<b>Total General Fund</b>	<b>19,391,000</b>	<b>2.3%</b>	<b>22,083,000</b>	<b>13.9%</b>	<b>23,350,000</b>	<b>5.7%</b>	<b>23,584,000</b>	<b>1.0%</b>
Transit Fund								
Privilege Tax (0.5%)	7,726,000	6.3%	8,551,000	10.7%	9,084,000	6.2%	9,315,000	2.5%
Privilege Tax Rebates	143,000	-31.9%	196,000	37.1%	176,000	-10.2%	-	-100.0%
<b>Total Transit Fund</b>	<b>7,869,000</b>	<b>5.2%</b>	<b>8,747,000</b>	<b>11.2%</b>	<b>9,260,000</b>	<b>5.9%</b>	<b>9,315,000</b>	<b>0.6%</b>
Arts & Culture Fund								
Privilege Tax (0.1%)	1,574,000	5.2%	1,749,000	11.1%	1,852,000	5.9%	1,863,000	0.6%
<b>Total Arts &amp; Culture Fund</b>	<b>1,574,000</b>	<b>5.2%</b>	<b>1,749,000</b>	<b>11.1%</b>	<b>1,852,000</b>	<b>5.9%</b>	<b>1,863,000</b>	<b>0.6%</b>
<b>Totals</b>	<b>28,834,000</b>	<b>-48.4%</b>	<b>32,579,000</b>	<b>13.0%</b>	<b>34,462,000</b>	<b>5.8%</b>	<b>34,762,000</b>	<b>0.9%</b>
<b>Tax Revenues by Business Activities</b>								
Retail	16,286,000	8.2%	18,925,000	16.2%	17,916,000	-5.3%	16,915,000	-5.6%
Rentals	5,415,000	5.2%	5,974,000	10.3%	6,929,000	16.0%	7,107,000	2.6%
Utilities/Communication	1,548,000	2.1%	1,625,000	5.0%	1,722,000	6.0%	1,592,000	-7.5%
Restaurants	1,582,000	-24.9%	2,434,000	53.9%	2,611,000	7.3%	2,671,000	2.3%
Contracting	2,374,000	6.7%	1,568,000	-34.0%	1,984,000	26.5%	2,111,000	6.4%
Hotel/Motel	192,000	-49.1%	422,000	119.8%	437,000	3.6%	474,000	8.5%
Transient (Bed Tax)	505,000	-49.4%	1,092,000	116.2%	1,127,000	3.2%	1,228,000	9.0%
Non-Recurring Business Activities	726,000	510.1%	147,000	-79.8%	1,287,000	775.5%	2,217,000	72.3%
Amusements	89,000	-67.6%	272,000	205.6%	327,000	20.2%	331,000	1.2%
All Other	117,000	-99.6%	120,000	2.6%	121,000	0.8%	117,000	-3.3%
<b>Totals</b>	<b>28,834,000</b>	<b>-48.4%</b>	<b>32,579,000</b>	<b>13.0%</b>	<b>34,462,000</b>	<b>5.8%</b>	<b>34,762,000</b>	<b>0.9%</b>
<b>Retail Tax Revenues by Activities</b>								
Automotive	2,282,000	-2.1%	2,723,000	19.3%	2,710,000	-0.5%	3,331,000	22.9%
Building Supply Stores	714,000	10.7%	832,000	16.5%	928,000	11.5%	830,000	-10.6%
Department Stores	1,931,000	-0.5%	2,190,000	13.4%	2,311,000	5.5%	2,270,000	-1.8%
Drug/Small Stores	2,558,000	13.6%	2,595,000	1.4%	2,066,000	-20.4%	2,605,000	26.1%
Furniture/Equipment/Electronics	1,431,000	8.3%	1,688,000	18.0%	837,000	-50.4%	864,000	3.2%
Grocery Stores	1,657,000	11.5%	1,561,000	-5.8%	1,730,000	10.8%	1,856,000	7.3%
Manufacturing Firms	1,209,000	-5.2%	1,676,000	38.6%	643,000	-61.6%	1,012,000	57.4%
All Other Retail	4,504,000	18.4%	5,660,000	25.7%	6,691,000	18.2%	4,147,000	-38.0%
<b>Totals</b>	<b>16,286,000</b>	<b>8.2%</b>	<b>18,925,000</b>	<b>16.2%</b>	<b>17,916,000</b>	<b>-5.3%</b>	<b>16,915,000</b>	<b>-5.6%</b>

## Actual Compared to Budget Projection

### Privilege Tax Revenue - General Fund (1.2%) 2023-24 Actual Compared to Budget

#### Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,015,000	\$ 11,283,000	\$ (732,000)	-6.1%
Aug	8.1%	11,727,000	11,037,000	(690,000)	-5.9%
Sep	8.1%	11,714,000			
Oct	9.1%	13,172,000			
Nov	8.2%	11,844,000			
Dec	8.7%	12,522,000			
Jan	8.6%	12,494,000			
Feb	7.8%	11,284,000			
Mar	8.2%	11,832,000			
Apr	9.0%	13,031,000			
May	7.5%	10,924,000			
Jun	8.4%	12,163,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 144,722,000</b>	<b>\$ 22,320,000</b>	<b>\$ (1,422,000)</b>	<b>-1.0%</b>

#### Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.3%	\$ 12,015,000	\$ 11,283,000	\$ (732,000)	-6.1%
Jul-Aug	16.4%	23,742,000	22,320,000	(1,422,000)	-6.0%
Jul-Sep	24.5%	35,456,000			
Jul-Oct	33.6%	48,628,000			
Jul-Nov	41.8%	60,472,000			
Jul-Dec	50.4%	72,994,000			
Jul-Jan	59.1%	85,488,000			
Jul-Feb	66.9%	96,772,000			
Jul-Mar	75.0%	108,604,000			
Jul-Apr	84.0%	121,635,000			
Jul-May	91.6%	132,559,000			
Jul-Jun	100.0%	144,722,000			

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

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 141,952,000	\$ 144,722,000	\$ (2,770,000)	-1.9%
% Received	\$ 136,054,000	\$ 144,722,000	\$ (8,668,000)	-6.0%

### Bed Tax Revenue - General Fund (5.0%) 2023-24 Actual Compared to Budget

#### Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	6.4%	\$ 785,000	\$ 687,000	\$ (98,000)	-12.5%
Aug	9.7%	1,188,000	535,000	(653,000)	-55.0%
Sep	12.6%	1,549,000			
Oct	14.7%	1,807,000			
Nov	9.9%	1,220,000			
Dec	8.1%	996,000			
Jan	4.7%	583,000			
Feb	5.0%	617,000			
Mar	5.8%	712,000			
Apr	6.9%	848,000			
May	7.9%	974,000			
Jun	8.3%	1,022,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 12,301,000</b>	<b>\$ 1,222,000</b>	<b>\$ (751,000)</b>	<b>-6.1%</b>

#### Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	6.4%	\$ 785,000	\$ 687,000	\$ (98,000)	-12.5%
Jul-Aug	16.0%	1,973,000	1,222,000	(751,000)	-38.1%
Jul-Sep	28.6%	3,522,000			
Jul-Oct	43.3%	5,329,000			
Jul-Nov	53.2%	6,549,000			
Jul-Dec	61.3%	7,545,000			
Jul-Jan	66.1%	8,128,000			
Jul-Feb	71.1%	8,745,000			
Jul-Mar	76.9%	9,457,000			
Jul-Apr	83.8%	10,305,000			
Jul-May	91.7%	11,279,000			
Jul-Jun	100.0%	12,301,000			

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

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 13,922,000	\$ 12,301,000	\$ 1,621,000	13.2%
% Received	\$ 7,619,000	\$ 12,301,000	\$ (4,682,000)	-38.1%

### Total General Fund Tax Revenue 2023-24 Actual Compared to Budget

#### Monthly Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 12,800,000	\$ 11,970,000	\$ (830,000)	-6.5%
Aug	8.2%	12,915,000	11,572,000	(1,343,000)	-10.4%
Sep	8.4%	13,263,000			
Oct	9.5%	14,979,000			
Nov	8.3%	13,064,000			
Dec	8.6%	13,518,000			
Jan	8.3%	13,077,000			
Feb	7.6%	11,901,000			
Mar	8.0%	12,544,000			
Apr	8.8%	13,879,000			
May	7.6%	11,898,000			
Jun	8.4%	13,185,000			
<b>Totals</b>	<b>100.0%</b>	<b>\$ 157,023,000</b>	<b>\$ 23,542,000</b>	<b>\$ (2,173,000)</b>	<b>-1.4%</b>

#### Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 12,800,000	\$ 11,970,000	\$ (830,000)	-6.5%
Jul-Aug	16.4%	25,715,000	23,542,000	(2,173,000)	-8.5%
Jul-Sep	24.8%	38,978,000			
Jul-Oct	34.4%	53,957,000			
Jul-Nov	42.7%	67,021,000			
Jul-Dec	51.3%	80,539,000			
Jul-Jan	59.6%	93,616,000			
Jul-Feb	67.2%	105,517,000			
Jul-Mar	75.2%	118,061,000			
Jul-Apr	84.0%	131,940,000			
Jul-May	91.6%	143,838,000			
Jul-Jun	100.0%	157,023,000			

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

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 155,542,000	\$ 157,023,000	\$ (1,481,000)	-0.9%
% Received	\$ 143,754,000	\$ 157,023,000	\$ (13,269,000)	-8.5%