

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
Ben Beutler, Budget Director
DATE: August 23, 2024
SUBJECT: Tax Revenue Statistical Report – June 2024

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%) 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 June 2024 report summarizes our analysis of the May sales activity reported to the Arizona Department of Revenue (ADOR).

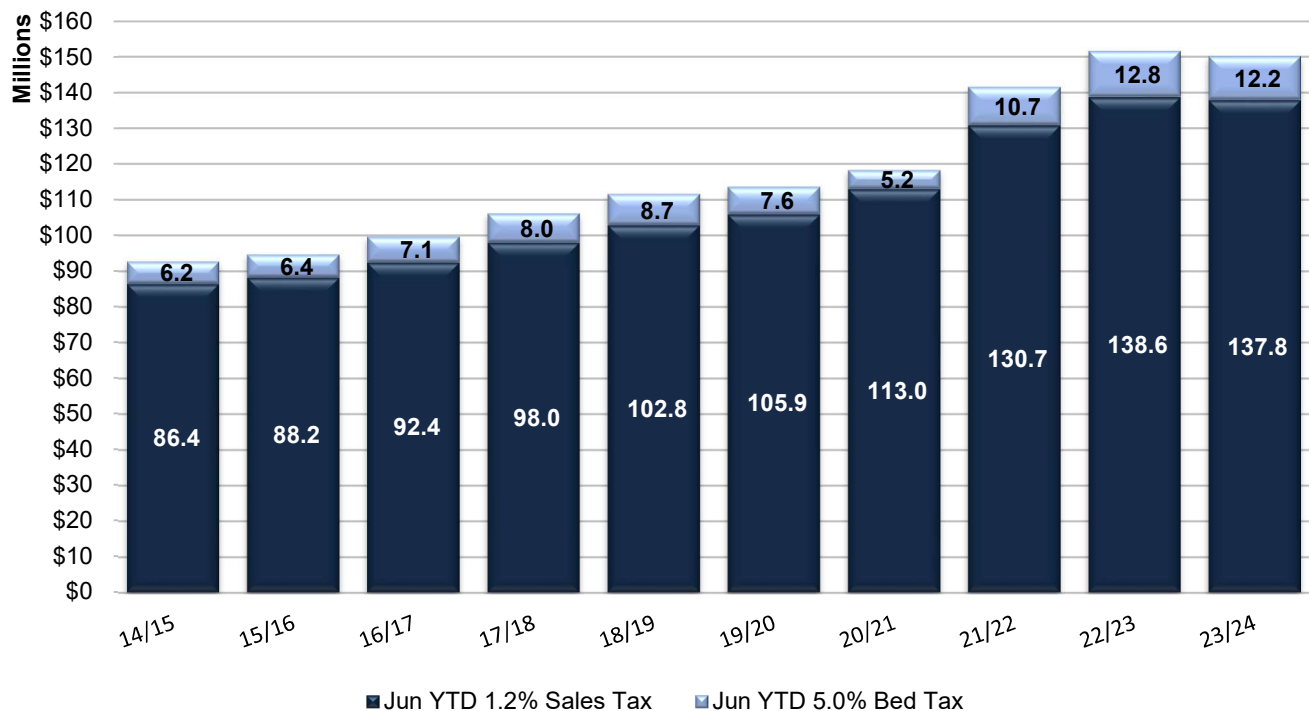
Overall Highlights

Total fiscal year to date taxable *sales* decreased by 0.9% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is down 0.8% or \$1.8 million, despite growth in rentals (\$1.9 million), contracting (\$1.1 million) and restaurants (\$596 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

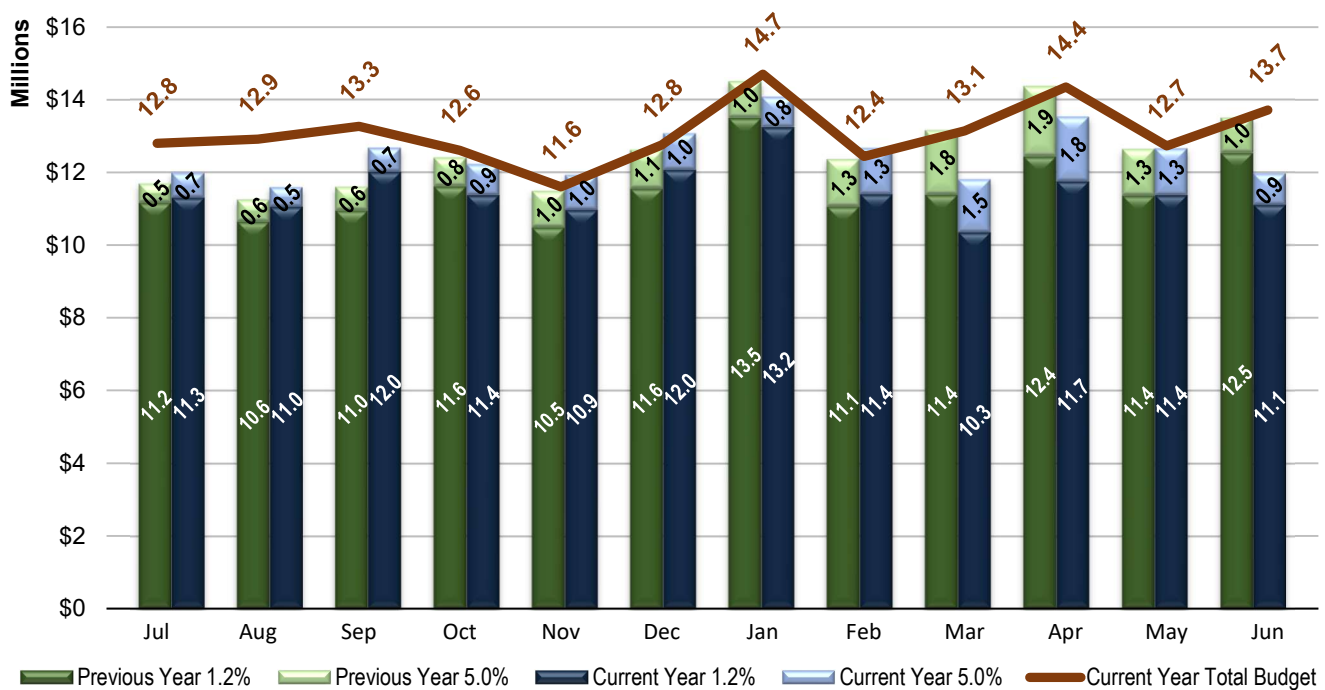
As the General Fund portion of the City’s sales and bed tax revenue collections represents the General Fund’s largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2014/15 through FY 2023/24. General Fund sales and bed tax revenue for FY 2023/24 is down 1.0% or \$1.4 million over the prior year to date period.

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



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 monthly, 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 \$6.9 million below revenue projections, General Fund bed tax is \$90 thousand below projections, and the combined General Fund sales and bed tax collections for the General Fund are \$7.0 million below the revenue projection.

As detailed above, sales and bed tax collections ended the fiscal year below revenue projections. The Municipal Budget Office is closely monitoring revenues and will incorporate actual revenue collections into the 5-year forecast presented to City Council in November. In the future, if overall revenue collections are not meeting projections, the city will make the necessary budget adjustments to maintain financial stability, while also ensuring the continuity of programs and service delivery for residents.

Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - June	2020-21	Change	2021-22	Change	2022-23	Change	2023-24	Change
Taxable Sales								
Total Taxable Sales	854,405,000	23.3%	951,378,000	11.3%	1,064,443,000	11.9%	945,909,000	-11.1%
Retail Taxable Sales	494,818,000	20.6%	498,655,000	0.8%	547,014,000	9.7%	498,862,000	-8.8%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	9,889,000	21.8%	11,047,000	11.7%	12,530,000	13.4%	11,089,000	-11.5%
Bed Tax (5.0%)	568,000	80.9%	969,000	70.6%	954,000	-1.5%	869,000	-8.9%
Privilege Tax Rebates	227,000	90.8%	137,000	-39.6%	30,000	-78.1%	75,000	150.0%
Total General Fund	10,684,000	24.9%	12,153,000	13.7%	13,514,000	11.2%	12,033,000	-11.0%
Transit Fund								
Privilege Tax (0.5%)	4,121,000	21.8%	4,603,000	11.7%	5,225,000	13.5%	4,652,000	-11.0%
Privilege Tax Rebates	94,000	88.0%	57,000	-39.4%	-	-100.0%	-	0.0%
Total Transit Fund	4,215,000	22.8%	4,660,000	10.6%	5,225,000	12.1%	4,652,000	-11.0%
Arts & Culture Fund								
Privilege Tax (0.1%)	843,000	22.7%	932,000	10.6%	1,045,000	12.1%	930,000	-11.0%
Total Arts & Culture Fund	843,000	22.7%	932,000	10.6%	1,045,000	12.1%	930,000	-11.0%
Totals	15,742,000	24.2%	17,745,000	12.7%	19,784,000	11.5%	17,615,000	-11.0%
Tax Revenues by Business Activities								
Retail	8,549,000	15.7%	8,976,000	5.0%	9,721,000	8.3%	8,980,000	-7.6%
Rentals	2,832,000	18.8%	3,093,000	9.2%	3,756,000	21.4%	3,649,000	-2.8%
Utilities/Communication	573,000	-4.7%	649,000	13.3%	702,000	8.2%	740,000	5.4%
Restaurants	1,322,000	70.4%	1,484,000	12.3%	1,493,000	0.6%	1,534,000	2.7%
Contracting	1,085,000	9.8%	1,397,000	28.8%	1,192,000	-14.7%	1,018,000	-14.6%
Hotel/Motel	219,000	85.6%	370,000	68.9%	378,000	2.2%	352,000	-6.9%
Transient (Bed Tax)	568,000	80.9%	969,000	70.6%	974,000	0.5%	921,000	-5.4%
Non-Recurring Business Activities	414,000	100.0%	619,000	49.5%	1,331,000	115.0%	-	-100.0%
Amusements	123,000	459.1%	114,000	-7.3%	165,000	44.7%	343,000	107.9%
All Other	58,000	-31.0%	75,000	29.3%	71,000	-5.3%	78,000	9.9%
Totals	15,742,000	24.2%	17,745,000	12.7%	19,784,000	11.5%	17,615,000	-11.0%
Retail Tax Revenues by Activities								
Automotive	1,561,000	21.1%	1,371,000	-12.2%	1,485,000	8.3%	1,464,000	-1.4%
Building Supply Stores	375,000	9.3%	420,000	12.0%	411,000	-2.1%	415,000	1.0%
Department Stores	1,117,000	17.2%	1,149,000	2.9%	1,111,000	-3.3%	1,106,000	-0.5%
Drug/Small Stores	1,270,000	22.1%	1,471,000	15.8%	1,410,000	-4.1%	1,222,000	-13.3%
Furniture/Equipment/Electronics	717,000	74.5%	600,000	-16.3%	697,000	16.2%	547,000	-21.5%
Grocery Stores	824,000	-2.6%	597,000	-27.5%	1,009,000	69.0%	971,000	-3.8%
Manufacturing Firms	716,000	33.8%	451,000	-37.0%	367,000	-18.6%	380,000	3.5%
All Other Retail	1,969,000	-0.1%	2,917,000	48.1%	3,231,000	10.8%	2,875,000	-11.0%
Totals	8,549,000	15.7%	8,976,000	5.0%	9,721,000	8.3%	8,980,000	-7.6%
Fiscal Year to Date - June								
Taxable Sales								
Total Taxable Sales	9,727,407,000	5.7%	11,363,069,000	16.8%	11,891,572,000	4.7%	11,789,088,000	-0.9%
Retail Taxable Sales	5,686,812,000	12.1%	6,504,492,000	14.4%	6,372,645,000	-2.0%	6,268,749,000	-1.6%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	112,973,000	6.7%	130,691,000	15.7%	138,638,000	6.1%	137,782,000	-0.6%
Bed Tax (5.0%)	5,193,000	-31.9%	10,733,000	106.7%	12,802,000	19.3%	12,211,000	-4.6%
Privilege Tax Rebates	2,509,000	-5.8%	3,090,000	23.2%	1,009,000	-67.3%	1,068,000	5.8%
Total General Fund	120,675,000	3.9%	144,514,000	19.8%	152,449,000	5.5%	151,061,000	-0.9%
Transit Fund								
Privilege Tax (0.5%)	47,074,000	6.6%	54,456,000	15.7%	57,770,000	6.1%	57,852,000	0.1%
Privilege Tax Rebates	1,044,000	-4.0%	1,286,000	23.2%	404,000	-68.6%	-	-100.0%
Total Transit Fund	48,118,000	6.4%	55,742,000	15.8%	58,174,000	4.4%	57,852,000	-0.6%
Arts & Culture Fund								
Privilege Tax (0.1%)	9,624,000	6.4%	11,148,000	15.8%	11,635,000	4.4%	11,570,000	-0.6%
Total Arts & Culture Fund	9,624,000	6.4%	11,148,000	15.8%	11,635,000	4.4%	11,570,000	-0.6%
Totals	178,417,000	-47.7%	211,404,000	18.5%	222,258,000	5.1%	220,483,000	-0.8%
Tax Revenues by Business Activities								
Retail	99,858,000	9.3%	117,081,000	17.2%	112,940,000	-3.5%	110,022,000	-2.6%
Rentals	33,039,000	5.8%	36,847,000	11.5%	42,596,000	15.6%	44,486,000	4.4%
Utilities/Communication	7,566,000	-1.6%	7,812,000	3.3%	8,296,000	6.2%	8,707,000	5.0%
Restaurants	12,181,000	-0.3%	16,335,000	34.1%	17,697,000	8.3%	18,293,000	3.4%
Contracting	11,524,000	-13.4%	12,019,000	4.3%	12,293,000	2.3%	13,389,000	8.9%
Hotel/Motel	2,005,000	-28.7%	4,093,000	104.1%	5,071,000	23.9%	4,954,000	-2.3%
Transient (Bed Tax)	5,193,000	-31.9%	10,733,000	106.7%	12,715,000	18.5%	12,936,000	1.7%
Non-Recurring Business Activities	5,320,000	158.8%	3,738,000	-29.7%	7,239,000	93.7%	3,839,000	-47.0%
Amusements	844,000	-31.8%	1,596,000	89.1%	2,139,000	34.0%	2,731,000	27.7%
All Other	887,000	-99.5%	1,150,000	29.7%	1,273,000	10.7%	1,124,000	-11.7%
Totals	178,417,000	-47.7%	211,404,000	18.5%	222,258,000	5.1%	220,483,000	-0.8%
Retail Tax Revenues by Activities								
Automotive	15,234,000	11.8%	16,321,000	7.1%	16,415,000	0.6%	16,560,000	0.9%
Building Supply Stores	4,259,000	14.4%	4,963,000	16.5%	4,991,000	0.6%	4,699,000	-5.9%
Department Stores	13,070,000	8.5%	14,102,000	7.9%	14,540,000	3.1%	14,499,000	-0.3%
Drug/Small Stores	15,934,000	15.7%	16,729,000	5.0%	16,085,000	-3.8%	15,267,000	-5.1%
Furniture/Equipment/Electronics	7,835,000	24.2%	8,304,000	6.0%	5,707,000	-31.3%	6,058,000	6.2%
Grocery Stores	10,391,000	1.8%	10,983,000	5.7%	11,743,000	6.9%	11,923,000	1.5%
Manufacturing Firms	7,421,000	6.0%	10,508,000	41.6%	5,298,000	-49.6%	5,477,000	3.4%
All Other Retail	25,714,000	4.3%	35,171,000	36.8%	38,161,000	8.5%	35,539,000	-6.9%
Totals	99,858,000	9.3%	117,081,000	17.2%	112,940,000	-3.5%	110,022,000	-2.6%

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	11,997,000	283,000	2.4%
Oct	8.3%	11,977,000	11,355,000	(622,000)	-5.2%
Nov	7.5%	10,818,000	10,949,000	131,000	1.2%
Dec	8.2%	11,919,000	12,048,000	129,000	1.1%
Jan	9.6%	13,913,000	13,224,000	(689,000)	-5.0%
Feb	7.9%	11,410,000	11,380,000	(30,000)	-0.3%
Mar	8.1%	11,745,000	10,331,000	(1,414,000)	-12.0%
Apr	8.9%	12,825,000	11,735,000	(1,090,000)	-8.5%
May	8.1%	11,720,000	11,354,000	(366,000)	-3.1%
Jun	8.9%	12,939,000	11,089,000	(1,850,000)	-14.3%
Totals	100.0%	\$ 144,722,000	\$ 137,782,000	\$ (6,940,000)	-4.8%

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	34,317,000	(1,139,000)	-3.2%
Jul-Oct	32.8%	47,433,000	45,672,000	(1,761,000)	-3.7%
Jul-Nov	40.3%	58,251,000	56,621,000	(1,630,000)	-2.8%
Jul-Dec	48.5%	70,170,000	68,669,000	(1,501,000)	-2.1%
Jul-Jan	58.1%	84,083,000	81,893,000	(2,190,000)	-2.6%
Jul-Feb	66.0%	95,493,000	93,273,000	(2,220,000)	-2.3%
Jul-Mar	74.1%	107,238,000	103,604,000	(3,634,000)	-3.4%
Jul-Apr	83.0%	120,063,000	115,339,000	(4,724,000)	-3.9%
Jul-May	91.1%	131,783,000	126,693,000	(5,090,000)	-3.9%
Jul-Jun	100.0%	144,722,000	137,782,000	(6,940,000)	-4.8%

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 137,782,000	\$ 144,722,000	\$ (6,940,000)	-4.8%
% Received	\$ 137,782,000	\$ 144,722,000	\$ (6,940,000)	-4.8%

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	\$ 688,000	\$ (97,000)	-12.4%
Aug	9.7%	1,188,000	534,000	(654,000)	-55.1%
Sep	12.6%	1,549,000	663,000	(886,000)	-57.2%
Oct	5.1%	626,000	854,000	228,000	36.4%
Nov	6.4%	788,000	960,000	172,000	21.8%
Dec	6.8%	838,000	1,012,000	174,000	20.8%
Jan	6.5%	795,000	834,000	39,000	4.9%
Feb	8.3%	1,025,000	1,268,000	243,000	23.7%
Mar	11.3%	1,396,000	1,468,000	72,000	5.2%
Apr	12.4%	1,528,000	1,777,000	249,000	16.3%
May	8.2%	1,010,000	1,284,000	274,000	27.1%
Jun	6.3%	773,000	869,000	96,000	12.4%
Totals	100.0%	\$ 12,301,000	\$ 12,211,000	\$ (90,000)	-0.7%

Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	6.4%	\$ 785,000	\$ 688,000	\$ (97,000)	-12.4%
Jul-Aug	16.0%	1,973,000	1,222,000	(751,000)	-38.1%
Jul-Sep	28.6%	3,522,000	1,885,000	(1,637,000)	-46.5%
Jul-Oct	33.7%	4,148,000	2,739,000	(1,409,000)	-34.0%
Jul-Nov	40.1%	4,936,000	3,699,000	(1,237,000)	-25.1%
Jul-Dec	46.9%	5,774,000	4,711,000	(1,063,000)	-18.4%
Jul-Jan	53.4%	6,569,000	5,545,000	(1,024,000)	-15.6%
Jul-Feb	61.7%	7,594,000	6,813,000	(781,000)	-10.3%
Jul-Mar	73.1%	8,990,000	8,281,000	(709,000)	-7.9%
Jul-Apr	85.5%	10,518,000	10,058,000	(460,000)	-4.4%
Jul-May	93.7%	11,528,000	11,342,000	(186,000)	-1.6%
Jul-Jun	100.0%	12,301,000	12,211,000	(90,000)	-0.7%

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 12,211,000	\$ 12,301,000	\$ (90,000)	-0.7%
% Received	\$ 12,211,000	\$ 12,301,000	\$ (90,000)	-0.7%

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	\$ 11,971,000	\$ (829,000)	-6.5%
Aug	8.2%	12,915,000	11,571,000	(1,344,000)	-10.4%
Sep	8.4%	13,263,000	12,660,000	(603,000)	-4.5%
Oct	8.0%	12,603,000	12,209,000	(394,000)	-3.1%
Nov	7.4%	11,606,000	11,909,000	303,000	2.6%
Dec	8.1%	12,757,000	13,060,000	303,000	2.4%
Jan	9.4%	14,708,000	14,058,000	(650,000)	-4.4%
Feb	7.9%	12,435,000	12,648,000	213,000	1.7%
Mar	8.4%	13,141,000	11,799,000	(1,342,000)	-10.2%
Apr	9.1%	14,353,000	13,512,000	(841,000)	-5.9%
May	8.1%	12,730,000	12,638,000	(92,000)	-0.7%
Jun	8.7%	13,712,000	11,958,000	(1,754,000)	-12.8%
Totals	100.0%	\$ 157,023,000	\$ 149,993,000	\$ (7,030,000)	-4.5%

Cumulative Amounts

	2023-24 Budget		2023-24 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 12,800,000	\$ 11,971,000	\$ (829,000)	-6.5%
Jul-Aug	16.4%	25,715,000	23,542,000	(2,173,000)	-8.5%
Jul-Sep	24.8%	38,978,000	36,202,000	(2,776,000)	-7.1%
Jul-Oct	32.8%	51,581,000	48,411,000	(3,170,000)	-6.1%
Jul-Nov	40.2%	63,187,000	60,320,000	(2,867,000)	-4.5%
Jul-Dec	48.4%	75,944,000	73,380,000	(2,564,000)	-3.4%
Jul-Jan	57.7%	90,652,000	87,438,000	(3,214,000)	-3.5%
Jul-Feb	65.7%	103,087,000	100,086,000	(3,001,000)	-2.9%
Jul-Mar	74.0%	116,228,000	111,885,000	(4,343,000)	-3.7%
Jul-Apr	83.2%	130,581,000	125,397,000	(5,184,000)	-4.0%
Jul-May	91.3%	143,311,000	138,035,000	(5,276,000)	-3.7%
Jul-Jun	100.0%	157,023,000	149,993,000	(7,030,000)	-4.5%

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 149,993,000	\$ 157,023,000	\$ (7,030,000)	-4.5%
% Received	\$ 149,993,000	\$ 157,023,000	\$ (7,030,000)	-4.5%