

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Oszakiewski, Senior Municipal Budget & Finance Analyst
THROUGH: Lisette Camacho, Deputy City Manager
DATE: October 25, 2024
SUBJECT: Tax Revenue Statistical Report – September 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 September 2024 report summarizes our analysis of the August sales activity reported to the Arizona Department of Revenue (ADOR).

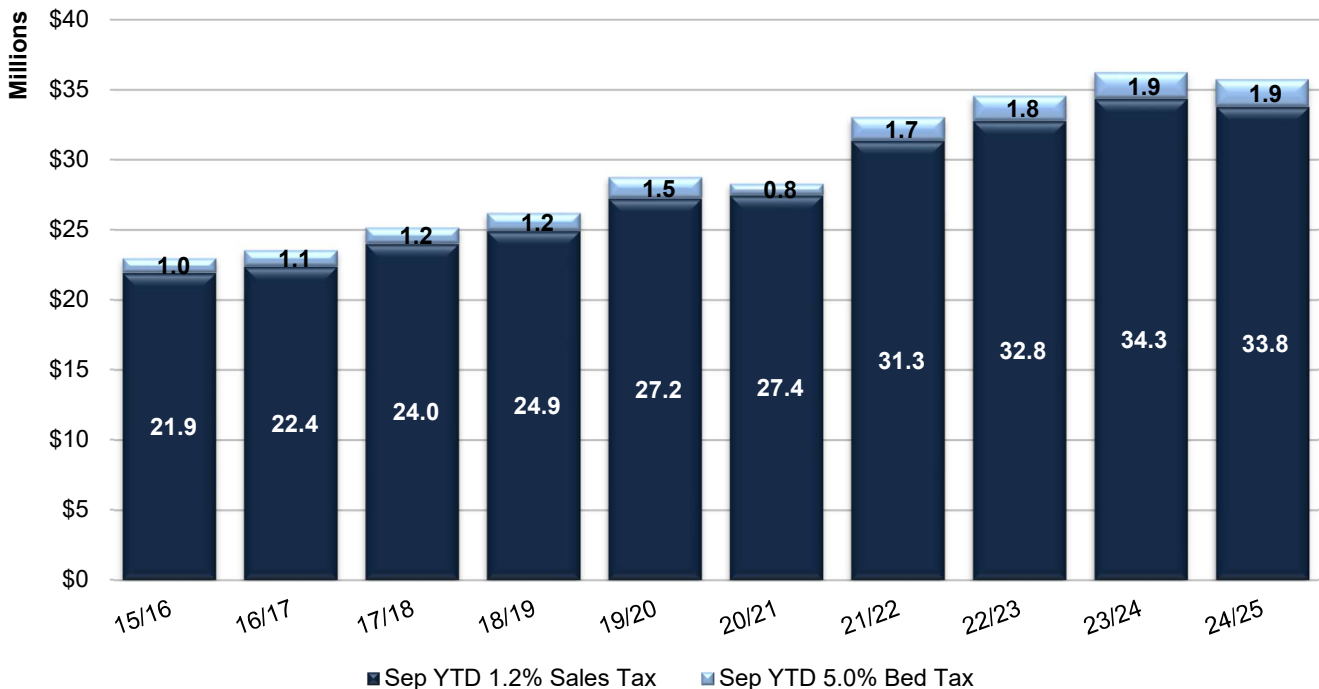
Overall Highlights

Total fiscal year to date taxable *sales* decreased by 1.5% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is down 1.3% or \$721 thousand, due to \$2.2 million of non-recurring business activities received in the prior year to date period. Otherwise, sales tax revenue grew in rentals (\$565 thousand), contracting (\$418 thousand), and utilities/communication (\$398 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

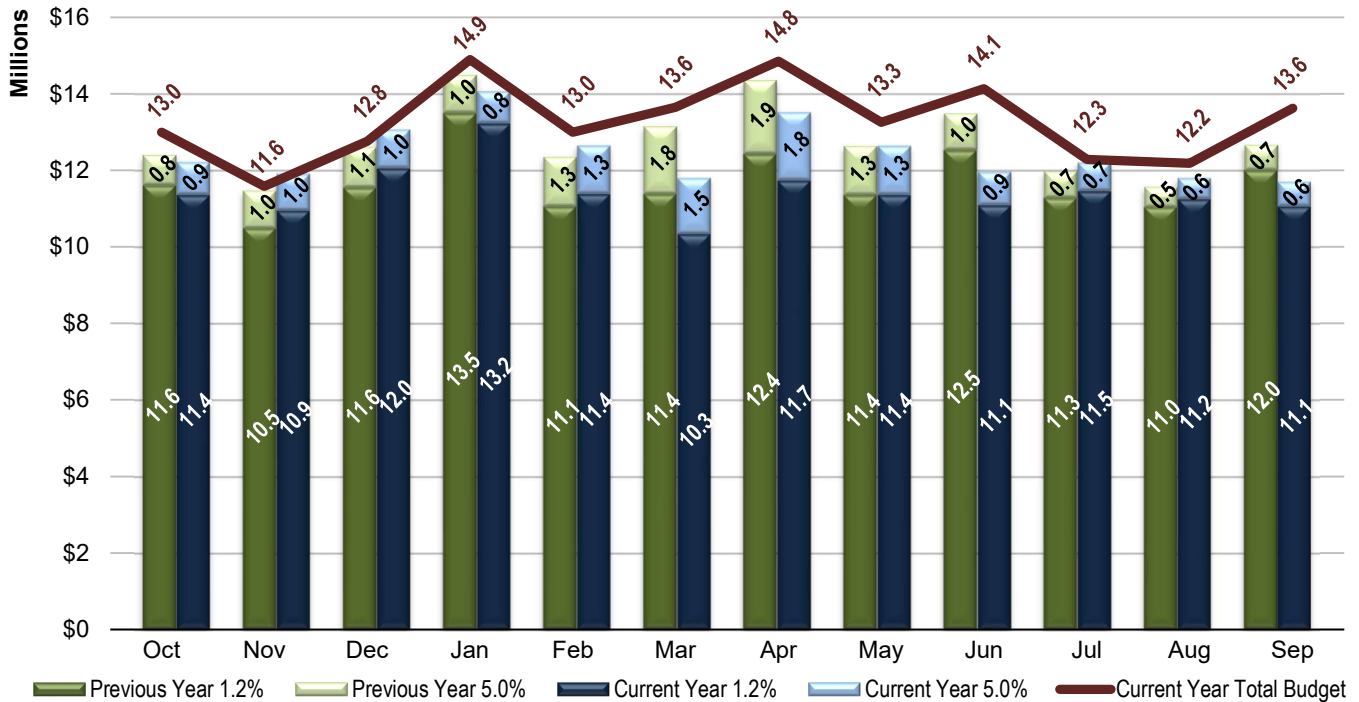
As the General Fund portion of the City’s sales and bed tax revenue collections represents the General Fund’s largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2015/16 through FY 2024/25. General Fund sales and bed tax revenue for FY 2024/25 is down 1.4% or \$508 thousand over the prior year to date period.

General Fund Year to Date Sales and Bed Tax Collections YTD



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 2024/25 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 2024/25 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 \$2.2 million below revenue projections and the General Fund bed tax is \$234 thousand below projections, which results in the combined General Fund sales and bed tax collections for the General Fund being \$2.4 million below the revenue projection.

As detailed above, September sales and bed tax collections are below revenue projections. The Municipal Budget Office is closely monitoring revenues. If sales and bed tax collections continue to be below budget, the city will revise revenue projections in the long-range forecast presented to Council in November and February and if necessary, make 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 - September	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
Taxable Sales								
Total Taxable Sales	932,157,000	22.1%	948,264,000	1.7%	1,016,237,000	7.2%	937,160,000	-7.8%
Retail Taxable Sales	563,901,000	26.7%	531,766,000	-5.7%	584,465,000	9.9%	512,223,000	-12.4%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	10,819,000	21.6%	10,951,000	1.2%	11,998,000	9.6%	11,055,000	-7.9%
Bed Tax (5.0%)	559,000	86.3%	646,000	15.6%	663,000	2.6%	641,000	-3.3%
Privilege Tax Rebates	233,000	24.6%	273,000	17.2%	52,000	-81.0%	52,000	0.0%
Total General Fund	11,611,000	23.7%	11,870,000	2.2%	12,713,000	7.1%	11,748,000	-7.6%
Transit Fund								
Privilege Tax (0.5%)	4,508,000	21.5%	4,563,000	1.2%	5,021,000	10.0%	4,628,000	-7.8%
Privilege Tax Rebates	97,000	24.4%	114,000	17.5%	-	-100.0%	-	0.0%
Total Transit Fund	4,605,000	21.6%	4,677,000	1.6%	5,021,000	7.4%	4,628,000	-7.8%
Arts & Culture Fund								
Privilege Tax (0.1%)	921,000	21.7%	935,000	1.5%	1,004,000	7.4%	926,000	-7.8%
Total Arts & Culture Fund	921,000	21.7%	935,000	1.5%	1,004,000	7.4%	926,000	-7.8%
Totals	17,137,000	23.0%	17,482,000	2.0%	18,738,000	7.2%	17,302,000	-7.7%
Tax Revenues by Business Activities								
Retail	10,150,000	26.7%	9,572,000	-5.7%	10,520,000	9.9%	9,220,000	-12.4%
Rentals	2,992,000	18.5%	3,460,000	15.6%	3,449,000	-0.3%	3,424,000	-0.7%
Utilities/Communication	921,000	2.1%	929,000	0.9%	1,000,000	7.6%	1,086,000	8.6%
Restaurants	1,191,000	40.8%	1,344,000	12.8%	1,337,000	-0.5%	1,356,000	1.4%
Contracting	824,000	-19.9%	1,003,000	21.7%	1,150,000	14.7%	1,078,000	-6.3%
Hotel/Motel	217,000	90.4%	250,000	15.2%	286,000	14.4%	259,000	-9.4%
Transient (Bed Tax)	559,000	86.3%	646,000	15.6%	696,000	7.7%	677,000	-2.7%
Non-Recurring Business Activities	39,000	-71.5%	4,000	-89.7%	-	-100.0%	-	0.0%
Amusements	106,000	307.7%	146,000	37.7%	190,000	30.1%	139,000	-26.8%
All Other	136,000	209.1%	127,000	-6.6%	109,000	-14.2%	63,000	-42.2%
Totals	17,137,000	23.0%	17,482,000	2.0%	18,738,000	7.2%	17,302,000	-7.7%
Retail Tax Revenues by Activities								
Automotive	1,378,000	19.6%	1,370,000	-0.6%	1,988,000	45.1%	1,451,000	-27.0%
Building Supply Stores	362,000	10.4%	409,000	13.0%	399,000	-2.4%	388,000	-2.8%
Department Stores	1,305,000	16.5%	1,380,000	5.7%	1,452,000	5.2%	1,352,000	-6.9%
Drug/Small Stores	1,463,000	19.8%	1,452,000	-0.8%	1,398,000	-3.7%	1,293,000	-7.5%
Furniture/Equipment/Electronics	650,000	6.6%	578,000	-11.1%	628,000	8.7%	559,000	-11.0%
Grocery Stores	826,000	-1.8%	894,000	8.2%	964,000	7.8%	921,000	-4.5%
Manufacturing Firms	1,502,000	138.0%	500,000	-66.7%	522,000	4.4%	484,000	-7.3%
All Other Retail	2,664,000	26.5%	2,989,000	12.2%	3,169,000	6.0%	2,772,000	-12.5%
Totals	10,150,000	26.7%	9,572,000	-5.7%	10,520,000	9.9%	9,220,000	-12.4%
Fiscal Year to Date - September								
	2021-22		2022-23		2023-24		2024-25	
		Change		Change		Change		Change
Taxable Sales								
Total Taxable Sales	2,703,261,000	15.2%	2,822,673,000	4.4%	2,903,854,000	2.9%	2,859,928,000	-1.5%
Retail Taxable Sales	1,615,290,000	19.7%	1,527,114,000	-5.5%	1,638,563,000	7.3%	1,522,145,000	-7.1%
Tax Revenues by Fund								
General Fund								
Privilege Tax (1.2%)	31,340,000	14.2%	32,751,000	4.5%	34,318,000	4.8%	33,755,000	-1.6%
Bed Tax (5.0%)	1,651,000	104.8%	1,773,000	7.4%	1,886,000	6.4%	1,941,000	2.9%
Privilege Tax Rebates	703,000	32.4%	695,000	-1.1%	94,000	-86.5%	138,000	46.8%
Total General Fund	33,694,000	17.1%	35,219,000	4.5%	36,298,000	3.1%	35,834,000	-1.3%
Transit Fund								
Privilege Tax (0.5%)	13,059,000	14.2%	13,646,000	4.5%	14,336,000	5.1%	14,122,000	-1.5%
Privilege Tax Rebates	293,000	32.6%	290,000	-1.0%	-	-100.0%	-	0.0%
Total Transit Fund	13,352,000	14.6%	13,936,000	4.4%	14,336,000	2.9%	14,122,000	-1.5%
Arts & Culture Fund								
Privilege Tax (0.1%)	2,670,000	14.5%	2,787,000	4.4%	2,867,000	2.9%	2,824,000	-1.5%
Total Arts & Culture Fund	2,670,000	14.5%	2,787,000	4.4%	2,867,000	2.9%	2,824,000	-1.5%
Totals	49,716,000	-41.9%	51,942,000	4.5%	53,501,000	3.0%	52,780,000	-1.3%
Tax Revenues by Business Activities								
Retail	29,075,000	19.7%	27,488,000	-5.5%	27,435,000	-0.2%	27,399,000	-0.1%
Rentals	8,966,000	12.9%	10,389,000	15.9%	10,555,000	1.6%	11,120,000	5.4%
Utilities/Communication	2,546,000	4.0%	2,652,000	4.2%	2,592,000	-2.3%	2,990,000	15.4%
Restaurants	3,626,000	49.3%	3,955,000	9.1%	4,007,000	1.3%	4,124,000	2.9%
Contracting	2,392,000	-29.7%	2,987,000	24.9%	3,262,000	9.2%	3,680,000	12.8%
Hotel/Motel	639,000	108.8%	687,000	7.5%	760,000	10.6%	781,000	2.8%
Transient (Bed Tax)	1,651,000	104.8%	1,773,000	7.4%	1,924,000	8.5%	2,035,000	5.8%
Non-Recurring Business Activities	186,000	-78.4%	1,291,000	594.1%	2,217,000	71.7%	-	-100.0%
Amusements	378,000	228.7%	473,000	25.1%	521,000	10.1%	450,000	-13.6%
All Other	256,000	-99.4%	248,000	-3.1%	226,000	-8.9%	204,000	-9.7%
Totals	49,716,000	-41.9%	51,942,000	4.5%	53,501,000	3.0%	52,780,000	-1.3%
Retail Tax Revenues by Activities								
Automotive	4,101,000	19.4%	4,080,000	-0.5%	5,318,000	30.3%	3,944,000	-25.8%
Building Supply Stores	1,194,000	14.6%	1,337,000	12.0%	1,229,000	-8.1%	1,189,000	-3.3%
Department Stores	3,496,000	14.5%	3,692,000	5.6%	3,722,000	0.8%	3,586,000	-3.7%
Drug/Small Stores	4,058,000	7.4%	3,518,000	-13.3%	4,003,000	13.8%	3,780,000	-5.6%
Furniture/Equipment/Electronics	2,337,000	14.5%	1,415,000	-39.5%	1,492,000	5.4%	1,901,000	27.4%
Grocery Stores	2,387,000	-4.4%	2,624,000	9.9%	2,820,000	7.5%	2,736,000	-3.0%
Manufacturing Firms	3,178,000	72.6%	1,142,000	-64.1%	1,534,000	34.3%	1,550,000	1.0%
All Other Retail	8,324,000	25.9%	9,680,000	16.3%	7,317,000	-24.4%	8,713,000	19.1%
Totals	29,075,000	19.7%	27,488,000	-5.5%	27,435,000	-0.2%	27,399,000	-0.1%

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 11,581,000	\$ 11,454,000	\$ (127,000)	-1.1%
Aug	8.1%	11,502,000	11,246,000	(256,000)	-2.2%
Sep	9.0%	12,833,000	11,055,000	(1,778,000)	-13.9%
Oct	9.1%	12,925,000			
Nov	8.3%	11,728,000			
Dec	9.3%	13,189,000			
Jan	10.4%	14,816,000			
Feb	7.5%	10,663,000			
Mar	7.2%	10,234,000			
Apr	7.9%	11,289,000			
May	7.7%	10,877,000			
Jun	7.3%	10,430,000			
Totals	100.0%	\$ 142,067,000	\$ 33,755,000	\$ (2,161,000)	-1.5%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	8.2%	\$ 11,581,000	\$ 11,454,000	\$ (127,000)	-1.1%
Jul-Aug	16.2%	23,083,000	22,700,000	(383,000)	-1.7%
Jul-Sep	25.3%	35,916,000	33,755,000	(2,161,000)	-6.0%
Jul-Oct	34.4%	48,841,000			
Jul-Nov	42.6%	60,569,000			
Jul-Dec	51.9%	73,758,000			
Jul-Jan	62.3%	88,574,000			
Jul-Feb	69.9%	99,237,000			
Jul-Mar	77.1%	109,471,000			
Jul-Apr	85.0%	120,760,000			
Jul-May	92.7%	131,637,000			
Jul-Jun	100.0%	142,067,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Privilege Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 135,526,000	\$ 142,067,000	\$ (6,541,000)	-4.6%
% Received	\$ 133,519,000	\$ 142,067,000	\$ (8,548,000)	-6.0%

Bed Tax Revenue - General Fund (5.0%) 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	4.8%	\$ 703,000	\$ 748,000	\$ 45,000	6.4%
Aug	4.7%	682,000	552,000	(130,000)	-19.1%
Sep	5.4%	790,000	641,000	(149,000)	-18.9%
Oct	6.8%	993,000			
Nov	8.0%	1,168,000			
Dec	8.5%	1,244,000			
Jan	7.7%	1,121,000			
Feb	10.3%	1,501,000			
Mar	13.1%	1,903,000			
Apr	14.5%	2,108,000			
May	9.3%	1,356,000			
Jun	6.8%	997,000			
Totals	100.0%	\$ 14,566,000	\$ 1,941,000	\$ (234,000)	-1.6%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	4.8%	\$ 703,000	\$ 748,000	\$ 45,000	6.4%
Jul-Aug	9.5%	1,385,000	1,300,000	(85,000)	-6.1%
Jul-Sep	14.9%	2,175,000	1,941,000	(234,000)	-10.8%
Jul-Oct	21.7%	3,168,000			
Jul-Nov	29.8%	4,336,000			
Jul-Dec	38.3%	5,580,000			
Jul-Jan	46.0%	6,701,000			
Jul-Feb	56.3%	8,202,000			
Jul-Mar	69.4%	10,105,000			
Jul-Apr	83.8%	12,213,000			
Jul-May	93.2%	13,569,000			
Jul-Jun	100.0%	14,566,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Bed Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 12,574,000	\$ 14,566,000	\$ (1,992,000)	-13.7%
% Received	\$ 12,999,000	\$ 14,566,000	\$ (1,567,000)	-10.8%

Total General Fund Tax Revenue 2024-25 Actual Compared to Budget

Monthly Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.8%	\$ 12,284,000	\$ 12,202,000	\$ (82,000)	-0.7%
Aug	7.8%	12,184,000	11,798,000	(386,000)	-3.2%
Sep	8.7%	13,623,000	11,696,000	(1,927,000)	-14.1%
Oct	8.9%	13,918,000			
Nov	8.2%	12,896,000			
Dec	9.2%	14,433,000			
Jan	10.2%	15,937,000			
Feb	7.8%	12,164,000			
Mar	7.7%	12,137,000			
Apr	8.6%	13,397,000			
May	7.8%	12,233,000			
Jun	7.3%	11,427,000			
Totals	100.0%	\$ 156,633,000	\$ 35,696,000	\$ (2,395,000)	-1.5%

Cumulative Amounts

	2024-25 Budget		2024-25 Actual	Over / (Under)	
	Percent	Amount		Amount	Percent
Jul	7.8%	\$ 12,284,000	\$ 12,202,000	\$ (82,000)	-0.7%
Jul-Aug	15.6%	24,468,000	24,000,000	(468,000)	-1.9%
Jul-Sep	24.3%	38,091,000	35,696,000	(2,395,000)	-6.3%
Jul-Oct	33.2%	52,009,000			
Jul-Nov	41.4%	64,905,000			
Jul-Dec	50.7%	79,338,000			
Jul-Jan	60.8%	95,275,000			
Jul-Feb	68.6%	107,439,000			
Jul-Mar	76.3%	119,576,000			
Jul-Apr	84.9%	132,973,000			
Jul-May	92.7%	145,206,000			
Jul-Jun	100.0%	156,633,000			

Tax and License Annual Privilege Tax Revenue Projections

Method	Total Tax		Over / (Under)	
	Projected	Budget	Amount	Percent
% of Increase	\$ 147,897,000	\$ 156,633,000	\$ (8,736,000)	-5.6%
% Received	\$ 146,785,000	\$ 156,633,000	\$ (9,848,000)	-6.3%