



City of Phoenix

To: Mayor and City Council

Date: January 26, 2015

From: Ed Zuercher
City Manager

A handwritten signature in black ink, appearing to read 'EZ'.

Subject: GENERAL FUND REVENUE REPORT – 6 MONTHS ACTUAL REVENUE

General Fund (GF) revenue collections at 6 months were \$516.9 million, which represents 2.1% growth over 2013-14 collections of \$506.2 million.

The 2014-15 full-year revenue estimate was adjusted down this month by \$3.0 million due primarily to the results of a recent audit which requires the City to issue a large taxpayer refund. The audit adjustment reduces current year revenue by about \$2.4 million. Also, a reduction is necessary to the non-tax portion of GF revenue mainly due to reduced fines and fees revenue from fewer court filings, and less than expected parking meter revenue due to delays in the implementation of market-based pricing. The revised FY 2014-15 estimate is \$1,051.3 million which represents 2.4% growth over 2013-14 collections of \$1,026.2 million. The reduction to revenue is offset by reduced current year spending, so the budget remains balanced.

General Fund Sales Tax

In the sixth month of 2014-15, combined GF revenue from city and state sales tax was \$268.8 million, representing 0.4% growth compared to the first six months of 2013-14.

City Sales Tax- City sales tax collections were \$206.2 million, which represents -0.7% year-to-date (YTD) growth. This year's estimate is 0.1%. The true comparable growth rate is not reflected in that percentage due to the reduced food sales tax rate to 1% in January 2014, which is being compared to the 2% rate at this point last year. The adjusted YTD growth percentage after accounting for the food sales tax rate change is 3.4%.

Year-to-date retail growth increased to 4.6%, and YTD contracting growth improved slightly from the prior month to -0.1%. The telecommunications category continues the negative trend realized the last two fiscal years at -4.6%, likely due to the continued transition of taxable direct voice charges to non-taxable data- and Internet-based communications. Growth rates are strong in the categories of restaurants & bars at 7.5%, apartment rentals at 10.6% and hotel/motel at 8.8%. The YTD growth percentages in key categories of city sales tax are:

- retail: 4.6%
- contracting: -0.1%
- restaurants & bars: 7.5%
- hotel/motel: 8.8%
- telecommunications: -4.6%
- commercial property rentals: -1.0%

State Sales Tax- In the first six months of 2014-15, State sales tax was \$62.6 million, representing 4.2% growth over 2013-14; this is slightly ahead of the year's revenue estimate of 3.7%. The retail category grew at 4.6% and contracting growth decreased to 0.1%. The YTD growth percentages in key categories of State sales tax were:

- retail: 4.6%
- contracting: 0.1%
- restaurants & bars: 8.9%
- hotel/motel: 13.0%
- communications: -13.7%

Staff will continue to monitor revenues closely to determine if any further adjustments are necessary to estimates.

The current revenue projections will be included in the Preliminary Status of the 2015-16 General Fund Budget to be presented to the City Council on February 10, 2015.