



## City of Phoenix

To: Mayor and City Council

Date: October 23, 2015

From: Ed Zuercher  
City Manager

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Subject: GENERAL FUND REVENUE REPORT – 3 MONTHS ACTUAL REVENUE

The 2015-16 year-to-date (YTD) General Fund (GF) revenue collections at 3 months were \$222.6 million or -0.2% lower than 2014-15 collections of \$223.0 million. Budgeted GF revenue for 2015-16 is \$1.061 billion, representing 0.8% growth over 2014-15. Staff is monitoring revenue collections closely and work has started on the annual technical revenue review process. Any recommended adjustments to revenue projections will be presented to Council by December.

### **General Fund Sales Tax**

In the third month of 2015-16, combined GF revenue from city and state sales tax was \$135.7 million, reflecting growth of -0.4% compared to the first three months of 2014-15. The negative growth accounts for the expiration of the food tax on March 31, 2015.

*City Sales Tax*- YTD 2015-16 city sales tax collections were \$103.2 million, which represents -2.0% growth compared to the prior year. The true comparable growth rate is not reflected in that percentage due to the elimination of the food sales tax, which is being compared to the 1% rate in effect in July 2014. The adjusted YTD growth percentage after accounting for the food sales tax expiration is 1.9%.

Retail growth increased to 8.3%, and contracting growth continues the negative growth trend at -7.7%. The telecommunications category also continues the negative trend realized the last three fiscal years at -25.4%. Growth rates are strong in the categories of restaurants & bars at 6.3% and hotel/motel at 11.8%. The annual growth percentages in key categories of City sales tax are:

- retail: 7.8%
- contracting: -24.6%
- restaurants & bars: 6.3%
- hotel/motel: 12.4%
- telecommunications: -12.3%
- commercial property rentals: -1.6%

*State Sales Tax*- State sales tax collections for September 2015 were \$32.5 million, representing 5.2% growth over 2014-15. The annual growth percentages in key categories of state sales tax were:

- retail: 9.5%
- contracting: -19.7%
- restaurants & bars: 4.2%

- hotel/motel: 8.9%
- communications: -10.5%

It should be noted the State Joint Legislative Budget Committee (JLBC) in the September 2015 issue of the Monthly Fiscal Highlights Report indicated that “the Department of Revenue (DOR) and the Department of Administration (ADOA) have been unable to finalize either the July or August revenue numbers due to the recent implementation of the new state accounting system...and that caution should be used when evaluating YTD collections for state revenues, including state sales tax.” Staff is closely monitoring this issue and any necessary adjustments will be presented to the City Council in a timely manner.