



City of Phoenix

To: Mayor and City Council

Date: January 22, 2016

From: Ed Zuercher
City Manager

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Subject: GENERAL FUND REVENUE REPORT – 6 MONTHS ACTUAL REVENUE

Budgeted General Fund (GF) revenue for 2015-16 is \$1.061 billion, representing 0.8% growth over 2014-15. The 2015-16 year-to-date (YTD) GF revenue collections at 6 months were \$524.3 million or 1.4% more than 2014-15 collections of \$516.9 million. This increase is primarily attributable to higher revenue collections in state sales tax, vehicle license taxes and emergency transportation services (ETS) revenues. As a result, revenue collections through six months are trending slightly higher than budget. Staff will begin 7+5 technical revenue reviews early next month and any recommended changes to revenue projections will be presented to Council with the 5-year forecast at the February 23rd Policy meeting.

General Fund Sales Tax

In the sixth month of 2015-16, combined GF revenue from city and state sales tax was \$270.0 million, reflecting growth of 0.5% compared to the first six months of 2014-15. Growth accounts for the expiration of the food tax on March 31, 2015.

City Sales Tax- YTD 2015-16 city sales tax collections were \$204.0 million, which represents -1.1% 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 at this point last fiscal year. The adjusted YTD growth percentage after accounting for the food sales tax expiration is 3.1%.

The annual growth percentages in key categories of City sales tax are:

- retail: 7.7%
- contracting: -21.4%
- restaurants & bars: 6.9%
- hotel/motel: 9.9%
- telecommunications: -10.2%
- commercial property rentals: 0.9%

State Sales Tax- YTD 2015-16 state sales tax collections were \$66.0 million, representing 5.4% growth over 2014-15. The annual growth percentages in key categories of state sales tax were:

- retail: 9.3%
- contracting: -18.1%
- restaurants & bars: 4.9%
- hotel/motel: 9.5%

- communications: -9.9%

It should be noted the State Joint Legislative Budget Committee (JLBC) in the January 2016 issue of the *Monthly Fiscal Highlights* Report indicated that “the retail growth and contracting decline appears to be related to the TPT Simplification legislation enacted in 2013. Beginning in 2015, the tax base for building materials changed from contracting to retail.” This appears to also be impacting city sales tax collections for both the retail and contracting categories, however, the exact impact of the legislation can’t be determined. They also noted, “the Department of Revenue (DOR) operated a Tax Amnesty program between September 1 and October 31...during that period taxpayers who owed DOR could avoid penalties and interest by voluntarily reporting and paying back taxes.” The Tax Amnesty program has generated one-time receipts and is reflected in the state sales tax YTD growth of 5.4%. The program is not expected to continue to generate increased tax collections beyond January 2016.