



Informational Memo

Management Services - Memo No. 21-014

Date: August 20, 2020

To: Mayor and Council

Thru: Marsha Reed, City Manager *MR*
Dawn Lang, Management Services Director *DL*

From: Matt Dunbar, Budget Manager *MD*

Subject: Fiscal Year (FY) 2020-21 General Fund Revenue Summary, Sales Tax Collection Report, and Expenditure Reports through July 2020

Attached is the FY 2020-21 General Fund Revenue and Expenditure Reports for the period ending July 31, 2020.

This report continues to include additional information to better assess COVID-19 impacts. Included as attachments to this memo are:

- Attachment 1 – General Fund Revenue Summary
- Attachment 2 – Local Sales Tax Revenue Five-Year Comparison
- Attachment 3 – Local Sales Tax Revenue by Class (*updated with Month over PY Month*)
- Attachment 4 – Local Sales Tax Revenue Month-by-Month Comparison to Prior Year
- Attachment 5 – COVID-19 Revenue Impact Analysis
- Attachment 6 – General Fund Expenditure Summary

The General Fund Revenue Summary (Attachment 1) gives a budget to actual comparison of revenues through July 2020. This month reflects a 15.6% increase in total General Fund revenues from the budgeted revenues received to date based on historical trends, and a 1% increase over the same period prior year. An additional attachment (Attachment 5 - COVID-19 Revenue Impact Analysis) is included to analyze the anticipated impacts of the pandemic. This report has been updated to show the projected impacts on a quarterly basis throughout the new Fiscal Year, using data obtained over the last few months to forecast the revenue impacts. It has also been updated to reflect the top 200 taxpayers (vs. 51 taxpayers previously shown).

Collections in State and Local Transaction Privilege Tax (TPT) or Sales Tax (Attachments 1-4) shown in this report reflects June TPT reported/received in July, and reflects the limited

closures which continued through the month of June. Overall, year to date (YTD) collections in State and Local TPT and Licenses & Permits remained above the historical trend in July as a result of strong revenues in the retail category. In addition, development in Chandler and its related economic impact continues to slow, as anticipated; however, most of these prior period increases were considered one-time, since once the developments are completed, the related Permit and Local TPT collections cease. The Local TPT collections through July 2020, reflect an overall increase of 20.2% above historical trend, and a 1.1% decrease compared to the same period last year.

While all categories of Local TPT have the potential to be impacted by the COVID-19 pandemic, certain categories will show a more significant impact as shown on Attachment 3, which reflects TPT by tax classification and is explained below:

- The largest TPT category, Retail/Manufactured Buildings/Jet Fuel, is 14.1% higher than one year earlier.
- Contracting reflects a 44.6% decrease than one year earlier, mainly due to the completion or near completion of various major construction projects such as Intel, downtown construction, and various multi-family residential projects throughout the City.
- The 34.4% decrease over prior year in Hotels/Motels reflects significant actual month over same month prior year reductions caused by the COVID-19 pandemic.
- The 6.5% increase over prior year in Real Property Rentals reflects increases in rentals on the market as well as rental rates. We would anticipate this category to be impacted in upcoming months.
- Another category that has substantial impacts due to the closures and social distancing is Restaurant & Bars, which shows a decrease over prior year of 8.3%.
- The Amusements category is also showing a significant drop when compared to July of the prior year of 57.3%, as this category was impacted by the closures as well.
- The increase over prior year of 135.1% in Publishing was due to a prior year correction made at the State level from prior period collections.
- Other TPT categories are -16.0% to 17.1% lower or higher than the prior year through July 2020.

As discussed on page 1, Attachment 5 provides a COVID-19 Revenue Impact Analysis, showing Chandler's top 200 taxpayers by business type, representing approximately 65% of total TPT received. The individual taxpayer information is grouped by business type due to confidentiality reporting requirements of the State. The month over month was 0.2% higher and month over same month prior year was 4.6% lower for these taxpayers. This gives us even more direct information on how revenues are impacted based on the type of business, helping us better forecast future revenue impacts. The report also details the anticipated \$20M reduction for FY 2020-21 budgeted in revenues by major revenue category versus the actual revenue reductions we are realizing. Based on actual COVID-19 revenue declines in

Memo No. 21-014

August 20, 2020

Page 3

the last quarter of FY 2019-20, we anticipate the \$20M reduction to be sufficient for the entire FY 2020-21. Therefore, the \$20M has been spread over the next 12 months, and summarized by quarter for this report. The actual impact for Quarter 1, compared to the estimated reduction has come in at \$8.2M better than anticipated, but there are two more months to go. This is another helpful metric to be able to gage the effects as we move throughout the Fiscal Year.

Finally, the FY 2020-21 General Fund Expenditure Summary report reflects the percent of adjusted budget expended and encumbered through July 2020. This report then compares this spending percentage to the prior fiscal year. Overall department spending resulted in 11.5% spending through July 2020, compared to 21.9% for the same period last year with the difference coming primarily from the holding of the PSPRS additional payment until mid-year, whereas that payment was made at the beginning of the year last year. Expenditures will continue to be scrutinized as we move through FY 2020-21 as another measure to minimize impacts of COVID-19.

Should you have any questions regarding this information, please contact Dawn Lang at x2255 or Matt Dunbar at x2256.

Attachments: FY 2020-21 General Fund Monthly Revenue and Expenditure Reports through July 2020

cc: Debra Stapleton, Assistant City Manager
Joshua H. Wright, Assistant City Manager

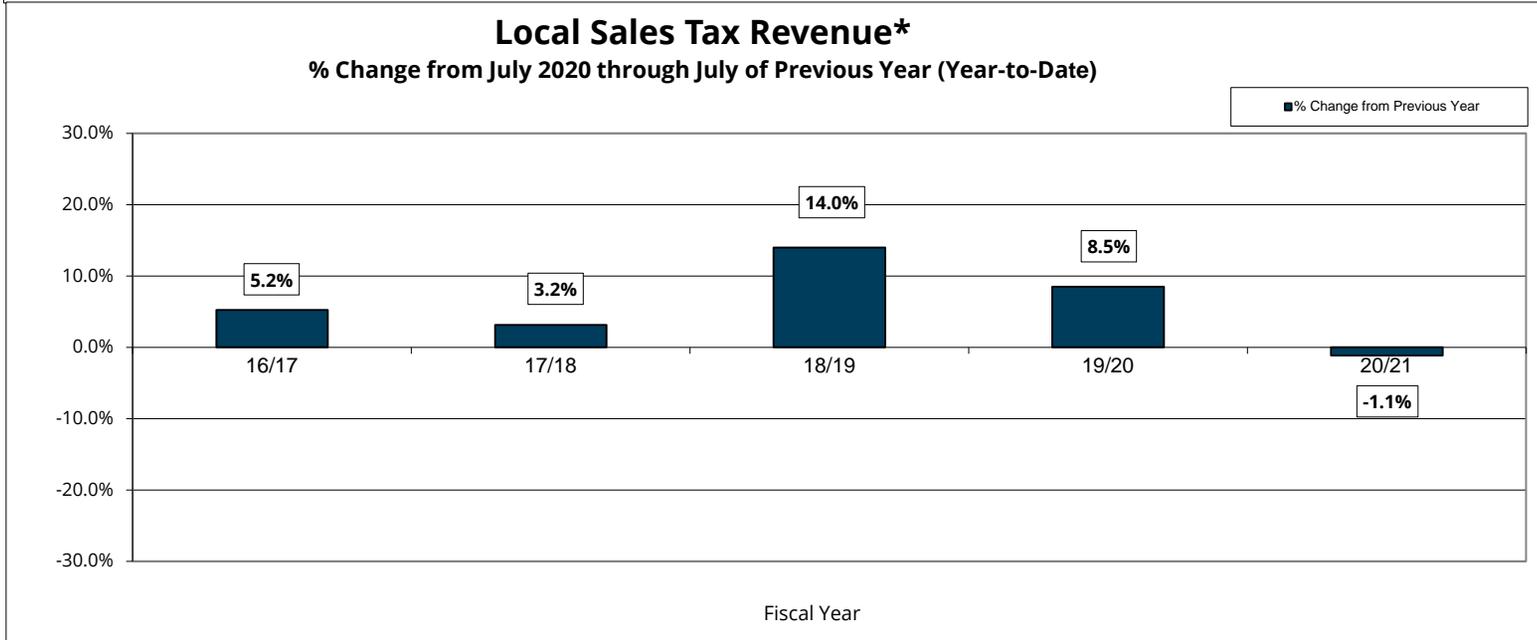
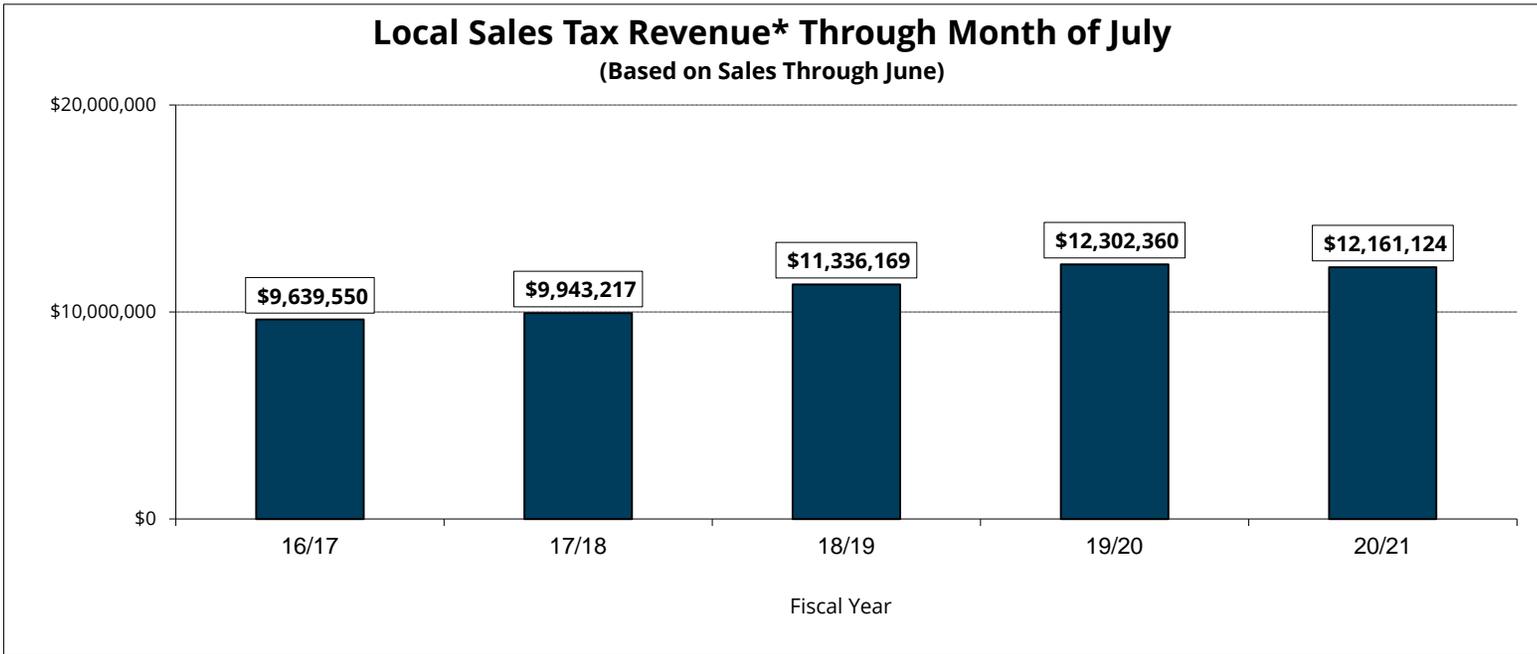
General Fund Revenue Summary

FY 2020-21 Year-To-Date Actuals Through July 2020

| General Fund Revenues | Budget | | Actuals | | | Comparison to Prior Year Actuals | | |
|--|---------------------------|--|---------------------------|----------------------------|------------------------------|--|---|---|
| | FY 2020-21 Adopted Budget | FY 2020-21 Budget Prorated Based on Historical Trend | FY 2020-21 Actual Revenue | + or - of Actual to Budget | % Change of Actual to Budget | FY 2019-20 Actual Revenues for Same Period | Difference + or - from FY 2019-20 to FY 2020-21 | % Change of Actuals to Same Period FY 2019-20 |
| Local Sales Tax Collections | \$ 121,687,552 | \$ 10,120,455 | \$ 12,161,124 | \$ 2,040,669 | 20.2% | \$ 12,302,360 | \$ (141,236) | -1.1% |
| Local Sales Tax Fees, Audit Assessments, Penalties, Interest | 1,883,200 | 120,987 | 72,404 | (48,583) | -40.2% | 94,274 | (21,870) | -23.2% |
| Total Local Sales Tax Revenue | \$ 123,570,752 | \$ 10,241,442 | \$ 12,233,528 | \$ 1,992,086 | 19.5% | \$ 12,396,634 | \$ (163,106) | -1.3% |
| Franchise Fees | 3,375,000 | 128,793 | - | (128,793) | -100.0% | - | - | 0.0% |
| Primary Property Taxes | 8,161,829 | - | - | - | 0.0% | - | - | 0.0% |
| State Shared Sales Taxes | 23,410,000 | 453,061 | 1,381,585 | 928,524 | 204.9% | 984,219 | 397,366 | 40.4% |
| Vehicle License Tax | 10,360,000 | 484,959 | 579,387 | 94,428 | 19.5% | 623,077 | (43,690) | -7.0% |
| Urban Revenue Sharing | 37,000,000 | 3,083,825 | 3,110,344 | 26,519 | 0.9% | 2,771,263 | 339,081 | 12.2% |
| Licenses & Permits | 6,646,000 | 398,034 | 485,149 | 87,115 | 21.9% | 442,936 | 42,213 | 9.5% |
| Charges for Services | 12,132,406 | 1,061,105 | 829,791 | (231,314) | -21.8% | 1,084,015 | (254,224) | -23.5% |
| Fines & Forfeitures | 3,683,108 | 330,635 | 193,298 | (137,337) | -41.5% | 375,625 | (182,327) | -48.5% |
| Interest & Investments | 2,629,000 | - | - | - | 0.0% | - | - | 0.0% |
| Other Revenues | 1,257,700 | 104,808 | 108,535 | 3,727 | 3.6% | 53,343 | 55,192 | 103.5% |
| Indirect Cost | 7,548,586 | 629,049 | 629,085 | 36 | 0.0% | 629,299 | (214) | 0.0% |
| Total General Fund Revenues | \$ 239,774,381 | \$ 16,915,711 | \$ 19,550,702 | \$ 2,634,991 | 15.6% | \$ 19,360,411 | \$ 190,291 | 1.0% |

Note:

FY 2020-21 Budget excludes one-time Interfund Transfers-In of \$1,525,000 to the General Fund for Impact Fee loan repayments, which are used for General Capital Projects.



*Totals are for sales tax only, and exclude privilege license fees, audit assessments, interest, and penalties.

Sales Tax Revenue By Class

Through July Each Year (Year-to-Date)**

| Sales Tax Category | FY19-20 % of Total | % Chg Fm PY | FY 2020-21 | % Chg Fm PY | FY 2019-20 | % Chg Fm PY | FY 2018-19 | % Chg Fm PY | FY 2017-18 | % Chg Fm PY | FY 2016-17 |
|--|--------------------------|----------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|------------------------|----------------|------------------------|
| Utilities | 10.2% | 17.1% | \$ 1,436,764.35 | -12.0% | \$ 1,226,450.52 | 4.3% | \$ 1,394,457.79 | 8.7% | \$ 1,336,342.32 | -16.6% | \$ 1,229,248.93 |
| Telecommunications | 1.7% | -7.2% | 185,164.43 | 3.8% | 199,590.44 | -18.1% | 192,225.24 | -12.8% | 234,579.94 | 0.2% | 268,955.25 |
| Publishing / Advertising / Printing / Transportation | 0.1% | 135.1% | 12,862.41 | -319.3% | (36,658.98) | -2.1% | 16,714.24 | 4.5% | 17,078.60 | -41.0% | 16,346.67 |
| Restaurants & Bars | 8.7% | -8.3% | 966,878.44 | 3.5% | 1,053,951.25 | 11.7% | 1,017,960.13 | 2.6% | 911,414.77 | 9.8% | 887,924.85 |
| Amusements | 0.8% | -57.3% | 56,875.66 | 42.9% | 133,050.31 | -5.4% | 93,114.28 | 22.1% | 98,476.14 | 30.7% | 80,642.53 |
| Real Property Rentals | 13.0% | 6.5% | 1,556,680.23 | -8.7% | 1,461,856.20 | 28.2% | 1,600,869.39 | 6.1% | 1,248,997.52 | -6.2% | 1,177,410.86 |
| Tangible Personal Property Rentals | 3.1% | -6.4% | 311,057.79 | 9.6% | 332,259.47 | -0.6% | 303,095.98 | -4.9% | 304,802.64 | 11.9% | 320,355.07 |
| Hotels / Motels | 2.6% | -34.4% | 165,054.14 | 18.6% | 251,468.35 | 24.0% | 211,974.44 | -27.8% | 171,005.25 | 21.1% | 236,728.72 |
| Contracting | 9.8% | -44.6% | 1,047,764.63 | 71.9% | 1,891,203.29 | 0.7% | 1,100,280.65 | 20.5% | 1,093,017.21 | 23.9% | 907,212.19 |
| Retail / Manufactured Buildings / Jet Fuel | 46.1% | 14.1% | 5,906,869.01 | 7.0% | 5,175,655.00 | 13.6% | 4,838,272.26 | -3.0% | 4,260,753.08 | 11.0% | 4,390,716.26 |
| Use Tax | 3.9% | -16.0% | 515,153.03 | 8.2% | 613,533.90 | 112.6% | 567,204.97 | 115.1% | 266,749.31 | 34.4% | 124,009.00 |
| Total Sales Tax Revenue* | 100.0% | -1.1% | \$ 12,161,124.12 | 8.5% | \$ 12,302,359.75 | 14.0% | \$ 11,336,169.37 | 3.2% | \$ 9,943,216.78 | 5.2% | \$ 9,639,550.33 |

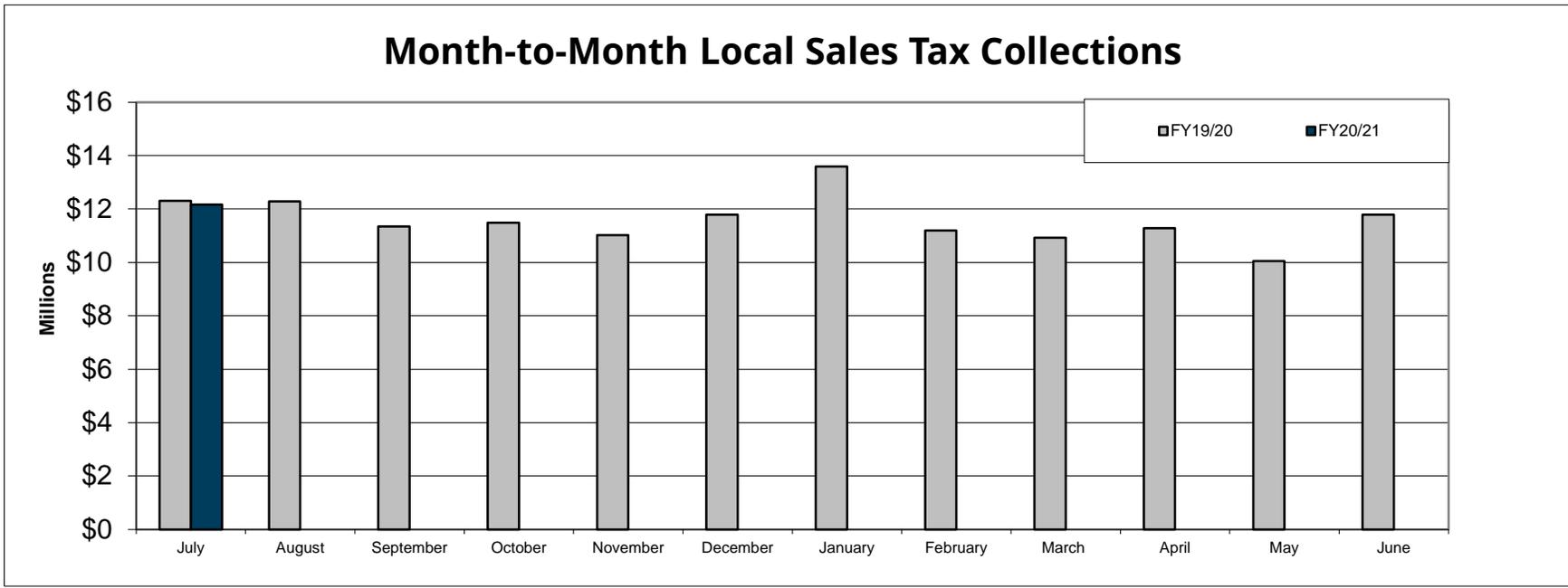
*Totals are for sales tax only, and exclude privilege license fees, audit assessments, interest, and penalties.

** Month over month is same for first month of year so only displaying once

Local Sales Tax Revenue

Monthly Actuals Compared to Prior Year

| Local Sales Tax Collections * | Monthly Collections FY19/20 | Monthly Collections FY20/21 | \$ Difference +/- FY20/21 over FY19/20 | % Difference +/- FY20/21 over FY19/20 |
|-------------------------------|-----------------------------|-----------------------------|--|---------------------------------------|
| July | \$ 12,302,360 | \$ 12,161,124 | \$ (141,236) | -1.1% |
| August | 12,284,035 | - | (12,284,035) | -100.0% |
| September | 11,345,516 | - | (11,345,516) | -100.0% |
| October | 11,487,595 | - | (11,487,595) | -100.0% |
| November | 11,022,244 | - | (11,022,244) | -100.0% |
| December | 11,792,358 | - | (11,792,358) | -100.0% |
| January | 13,587,573 | - | (13,587,573) | -100.0% |
| February | 11,200,310 | - | (11,200,310) | -100.0% |
| March | 10,927,737 | - | (10,927,737) | -100.0% |
| April | 11,278,996 | - | (11,278,996) | -100.0% |
| May | 10,049,709 | - | (10,049,709) | -100.0% |
| June | 11,785,579 | - | (11,785,579) | -100.0% |
| Totals | \$ 12,302,360 | \$ 12,161,124 | \$ (141,236) | -1.1% |



**Totals are for sales tax only, and exclude privilege license fees, audit assessments, interest, and penalties.*

COVID-19 Revenue Impact Analysis

Tax Revenue Comparison of Top 200 Taxpayers (reflects approximately 65% of total TPT)

| Business Type | Current Mo. Jul-20 | Last Mo. Jun-20 | \$ Change Month / Month | % Change Month / Month | Current Mo. Jul-20 | Mo. Last Year Jul-19 | \$ Change Same Period | % Change Same Period |
|-----------------------------------|-----------------------|----------------------|----------------------------|---------------------------|-----------------------|-------------------------|--------------------------|-------------------------|
| Commercial Leasing Subtotal | \$ 332,607 | \$ 326,229 | \$ 6,378 | 2.0% | \$ 332,607 | \$ 304,160 | \$ 28,447 | 9.4% |
| Construction Contracting Subtotal | \$ 652,219 | \$ 760,777 | \$ (108,558) | -14.3% | \$ 652,219 | \$ 1,447,285 | \$ (795,066) | -54.9% |
| Department Store Subtotal | \$ 902,170 | \$ 945,579 | \$ (43,409) | -4.6% | \$ 902,170 | \$ 863,872 | \$ 38,298 | 4.4% |
| Grocery Store Subtotal | \$ 683,025 | \$ 710,153 | \$ (27,128) | -3.8% | \$ 683,025 | \$ 575,847 | \$ 107,178 | 18.6% |
| Lodging Subtotal | \$ 118,432 | \$ 94,044 | \$ 24,388 | 25.9% | \$ 118,432 | \$ 222,530 | \$ (104,098) | -46.8% |
| Personal Property Rental Subtotal | \$ 265,114 | \$ 271,876 | \$ (6,762) | -2.5% | \$ 265,114 | \$ 294,287 | \$ (29,173) | -9.9% |
| Residential Rental Subtotal | \$ 75,644 | \$ 76,446 | \$ (802) | -1.0% | \$ 75,644 | \$ 62,750 | \$ 12,894 | 20.5% |
| Restaurant Subtotal | \$ 195,736 | \$ 180,928 | \$ 14,808 | 8.2% | \$ 195,736 | \$ 207,266 | \$ (11,530) | -5.6% |
| General Retailer Subtotal | \$ 1,802,068 | \$ 1,564,649 | \$ 237,419 | 15.2% | \$ 1,802,068 | \$ 1,699,375 | \$ 102,693 | 6.0% |
| Telecommunications Subtotal | \$ 221,584 | \$ 217,744 | \$ 3,840 | 1.8% | \$ 221,584 | \$ 236,427 | \$ (14,843) | -6.3% |
| Utility Subtotal | \$ 1,443,283 | \$ 1,141,106 | \$ 302,177 | 26.5% | \$ 1,443,283 | \$ 1,234,240 | \$ 209,043 | 16.9% |
| Vehicle Dealer Subtotal | \$ 948,561 | \$ 1,336,703 | \$ (388,142) | -29.0% | \$ 948,561 | \$ 859,928 | \$ 88,633 | 10.3% |
| Total for Top Taxpayers | \$ 7,640,443 | \$ 7,626,234 | \$ 14,209 | 0.2% | \$ 7,640,443 | \$ 8,007,967 | \$ (367,524) | -4.6% |
| Total for all Taxes | \$ 12,161,124 | \$ 11,785,579 | \$ 375,545 | 3.2% | \$ 12,161,124 | \$ 12,302,360 | \$ (141,236) | -1.1% |

Anticipated vs. Actual Revenue Reductions for Major Revenues

| Anticipated COVID Impacts Major Revenues | Local TPT Reduction | State Shared Reduction | Vehicle Lic. Tax Reduction | Building Division Fees | Parks & Recreation | Court Fines | Franchise Fees | Total |
|---|------------------------|---------------------------|-------------------------------|---------------------------|-----------------------|---------------------|---------------------|----------------------|
| First Quarter | \$ 2,500,000 | \$ 1,200,000 | \$ 300,000 | \$ 100,000 | \$ 700,000 | \$ 500,000 | \$ 450,000 | \$ 5,750,000 |
| Second Quarter | \$ 2,200,000 | \$ 1,100,000 | \$ 200,000 | \$ 200,000 | \$ 700,000 | \$ 300,000 | \$ 400,000 | \$ 5,100,000 |
| Third Quarter | \$ 2,100,000 | \$ 1,000,000 | \$ 150,000 | \$ 300,000 | \$ 600,000 | \$ 250,000 | \$ 350,000 | \$ 4,750,000 |
| Fourth Quarter | \$ 2,000,000 | \$ 900,000 | \$ 150,000 | \$ 400,000 | \$ 400,000 | \$ 250,000 | \$ 300,000 | \$ 4,400,000 |
| Total Estimated Impact | \$ 8,800,000 | \$ 4,200,000 | \$ 800,000 | \$ 1,000,000 | \$ 2,400,000 | \$ 1,300,000 | \$ 1,500,000 | \$ 20,000,000 |

| Actual COVID Impacts Major Revenues | Local TPT Reduction | State Shared Reduction | Vehicle Lic. Tax Reduction | Building Division Fees | Parks & Recreation | Court Fines | Franchise Fees | Total |
|--|------------------------|---------------------------|-------------------------------|---------------------------|-----------------------|-------------------|-------------------|-----------------------|
| First Quarter (Through July) | \$ (1,205,397) | \$ (1,070,128) | \$ (67,467) | \$ (162,583) | \$ 50,144 | \$ 23,276 | \$ 3,250 | \$ (2,428,905) |
| Second Quarter | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Third Quarter | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fourth Quarter | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Actual Impact | \$ (1,205,397) | \$ (1,070,128) | \$ (67,467) | \$ (162,583) | \$ 50,144 | \$ 23,276 | \$ 3,250 | \$ (2,428,905) |
| Variance from 1st Q Estimate | \$ 3,705,397 | \$ 2,270,128 | \$ 367,467 | \$ 262,583 | \$ 649,856 | \$ 476,724 | \$ 446,750 | \$ 8,178,905 |

Notes:

Top Taxpayers selected using ranking from FY19-20 end of year total tax received.

General Fund Expenditure Summary Thru July 2020

| Department | Adopted Budget | Adjusted Budget | Expenses & Encumbrances Thru July 2020 | Percentage of Adjusted Budget Expended & Encumbered Thru July 2020 | Percentage of Adjusted Budget Expended & Encumbered Thru July 2019 | Over/Under Last Year's Percentage |
|---|-----------------------|-----------------------|--|--|--|-----------------------------------|
| City Clerk | \$ 926,189 | \$ 934,155 | \$ 70,971 | 7.6% | 9.6% | -2.0% |
| City Manager and Organization Support ⁽¹⁾ | 16,974,092 | 17,083,136 | 2,569,083 | 15.0% | 11.1% | 3.9% |
| Communications & Public Affairs | 2,615,430 | 2,624,364 | 271,213 | 10.3% | 12.3% | -2.0% |
| Community Services | 26,794,778 | 26,933,041 | 3,916,551 | 14.5% | 15.5% | -1.0% |
| Cultural Development | 3,634,295 | 3,664,253 | 532,965 | 14.5% | 18.0% | -3.5% |
| Development Services | 9,113,629 | 9,174,248 | 871,938 | 9.5% | 7.8% | 1.7% |
| Fire | 38,895,433 | 39,460,135 | 4,092,814 | 10.4% | 10.8% | -0.4% |
| Information Technology | 11,792,184 | 11,832,182 | 1,801,303 | 15.2% | 13.6% | 1.7% |
| Law | 3,884,306 | 3,921,666 | 290,095 | 7.4% | 7.5% | -0.1% |
| Magistrate | 4,684,074 | 4,656,567 | 412,468 | 8.9% | 7.9% | 1.0% |
| Management Services | 8,075,928 | 8,125,955 | 659,407 | 8.1% | 7.3% | 0.8% |
| Mayor and Council | 1,021,237 | 1,024,460 | 109,450 | 10.7% | 7.8% | 2.9% |
| Neighborhood Resources | 3,556,968 | 3,583,274 | 241,545 | 6.7% | 35.6% | -28.8% |
| Police | 77,989,907 | 78,574,122 | 8,001,009 | 10.2% | 10.2% | -0.1% |
| Public Works & Utilities | 10,222,104 | 10,246,501 | 3,488,575 | 34.0% | 45.9% | -11.9% |
| Non-Departmental (Personnel Services and O&M) | 23,440,567 | 21,785,895 | 577,591 | 2.7% | 71.5% | -68.8% |
| Subtotal Prior to Contingencies/Reserves | \$ 243,621,121 | \$ 243,623,954 | \$ 27,906,978 | 11.5% | 21.9% | -10.4% |
| Non-Departmental Reserves (Carryforward, Utility, Fuel & DT) | 8,553,750 | 8,553,750 | - | 0.0% | 0.0% | 0.0% |
| Non-Departmental Contingencies (15% & AZCares) ⁽²⁾ | 64,817,356 | 34,833,900 | - | 0.0% | 0.0% | 0.0% |
| Total General Fund Expenditures | \$ 316,992,227 | \$ 287,011,604 | \$ 27,906,978 | 9.7% | 18.5% | -8.8% |

⁽¹⁾ Organization Support includes Buildings and Facilities, Economic Development, Fleet Services, Human Resources and Transportation Policy.

⁽²⁾ Non-Departmental Contingencies FY 2020-21 Adopted Budget included the AZCares Act contingency of \$29,983,456, which was transferred to contingency in the Operating Grant Fund 217.

Adopted Budget: Includes estimated reserves for encumbrance carryforward from the previous fiscal year and full Council approved reserve/contingency established in the budget.

Adjusted Budget: Includes movement of estimated reserves for encumbrance appropriation to Departments based on actual end-of-year encumbrances and Council approved contingency transfers. Reserves/Contingency appropriation cannot be spent from Reserve/Contingency line items; it must be moved to spendable lines within Departments.

NOTE: The total Adopted budget compared to the total Adjusted budget always equals when viewing **all** funds. When looking at the General Fund only, it is not uncommon for the amounts to differ. This is due to estimated carryforward appropriation, personnel adjustment appropriation or Council approved contingency transfers being moved to other funds, as directed by Council and authorized by the Budget Resolution.