



Informational Memo

Management Services - Memo No. 20-073

Date: June 10, 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) 2019-20 Year-End General Fund Revenue Summary, Sales Tax Collection Report, and Expenditure Reports through May 2020

Attached is the FY 2019-20 General Fund Revenue and Expenditure Reports for the period ending May 31, 2020.

This report includes 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 May 2020. This month reflects a 5.2% increase in total General Fund revenues from the budgeted revenues received to date based on historical trends. The individual revenue categories recording revenues under historical trends reflect COVID-19 revenue reduction impacts as business activity and many City services were curtailed due to the closures and social distancing requirements during March, April, and May. An additional attachment (Attachment 5 - COVID-19 Revenue Impact Analysis) is again included to analyze the anticipated impacts of the pandemic, as well as the new view of tax data, on Attachment 3, to show the month over same month in prior year collections.

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

which continued through the entire month of April. Overall year to date (YTD) collections in State and Local TPT and Licenses & Permits remained above the historical trend through May as a result of strong revenue growth in periods that were prior to COVID-19 impacts. 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 May 2020, YTD reflect an overall increase of 5.8% above historical trend, and a 2.0% increase compared to the same period last year, again showing an increase as revenues were coming in very strong throughout the year prior to COVID-19 impacts. However, Local TPT revenues did see a 10.6% decline in the month over same month prior year comparison as shown at the bottom of Attachment 3.

While all categories of Local TPT have the potential to be impacted by the recent 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 7.2% higher YTD than one year earlier, and shows a month over same month prior year decrease of 4.9%.
- Contracting reflects a 15.5% decrease YTD 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, and a month over same month prior year decrease of 22.0%.
- The 5.9% YTD decrease over prior year in Hotels/Motels while a reduction, still reflects strong growth in this category from prior periods, and masks the significant actual month over same month prior year reduction of 80.3%.
- The 9.5% YTD increase over prior year in Real Property Rentals reflects increases in rentals on the market as well as rental rates, and even the month over same month prior year shows an increase of 1.6%. We do 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 YTD decrease over prior year of only 3.8%, while the monthly comparison shows a decrease of 37.9% from May 2019.
- Amusements is also showing a significant downturn when compared to May of the prior year of 79.0%, but the YTD reduction over prior year is more mild at 14.1% as there was growth in this category prior to the COVID-19 closures.
- The YTD decrease over prior year of 34.5% in Publishing was due to a correction made at the State level from prior period collections.
- Other TPT categories are -1.9% to 9.1% lower or higher than the prior year through May 2020.

Also, Attachment 5, provides a COVID-19 Revenue Impact Analysis, showing Chandler's top 51 taxpayers by business type, representing approximately 45% 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 7.85% lower and month over same month prior year was 4.88% lower. This gives us even more direct information of how revenues are impacted based on the type of business, helping us better forecast future impacts. The report also details the anticipated FY 2019-20 \$10.5M reduction in revenues by major revenue category versus the actual revenue reductions we are realizing. After spreading the impact over March, April, May and June, the YTD impact through April is \$3.7M better than we anticipated. This is another helpful metric as we continue to refine our forecasts.

Finally, the FY 2019-20 General Fund Expenditure Summary report reflects the percent of adjusted budget expended and encumbered through May 2020. This report then compares this spending percentage to the prior fiscal year. Overall department spending, including an increased one-time Public Safety Personnel Retirement System (PSPRS) unfunded liability payment (+\$20.7M over prior year), resulted in 85.3% spending through May 2020, compared to 88.1% for the same period last year. Based on the spending reduction measures incorporated and reduced costs due to less programming, we anticipate overall department spending to be at least 10% less than adjusted budget.

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

Attachments: FY 2019-20 General Fund Monthly Revenue and Expenditure Reports through May 2020

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

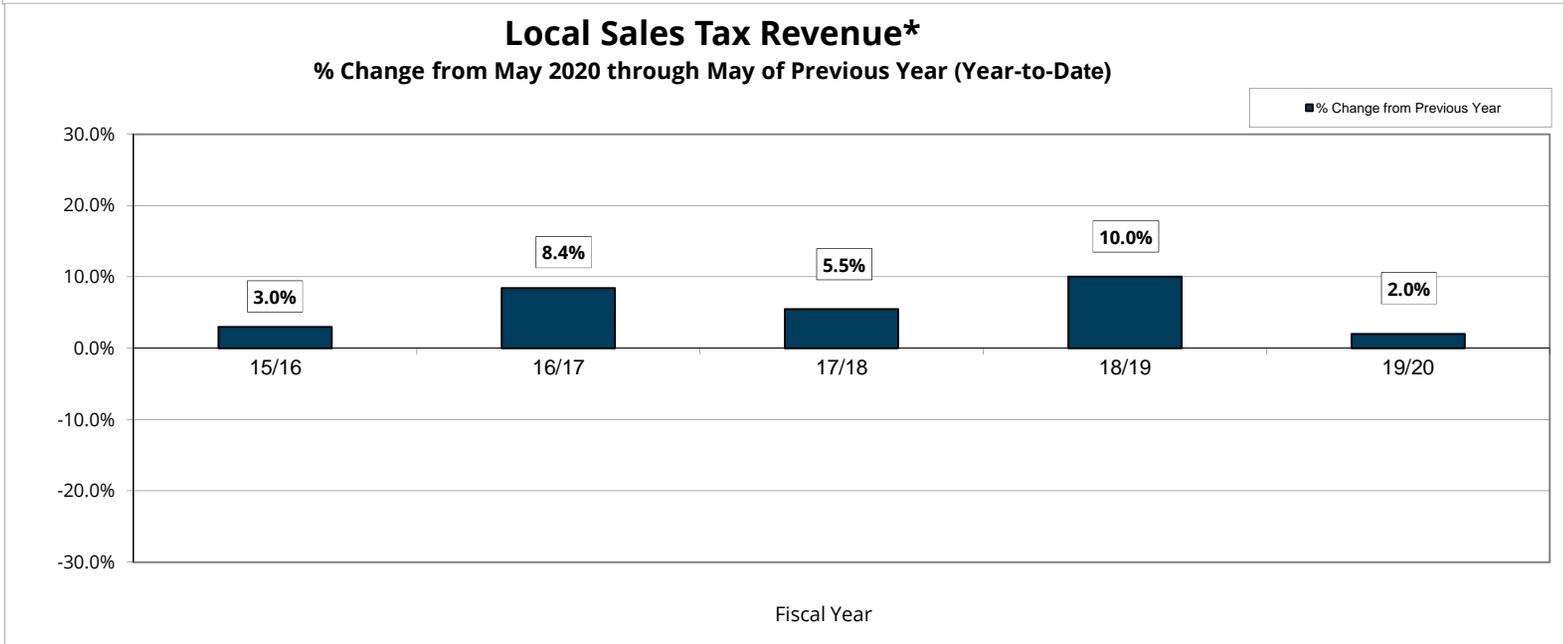
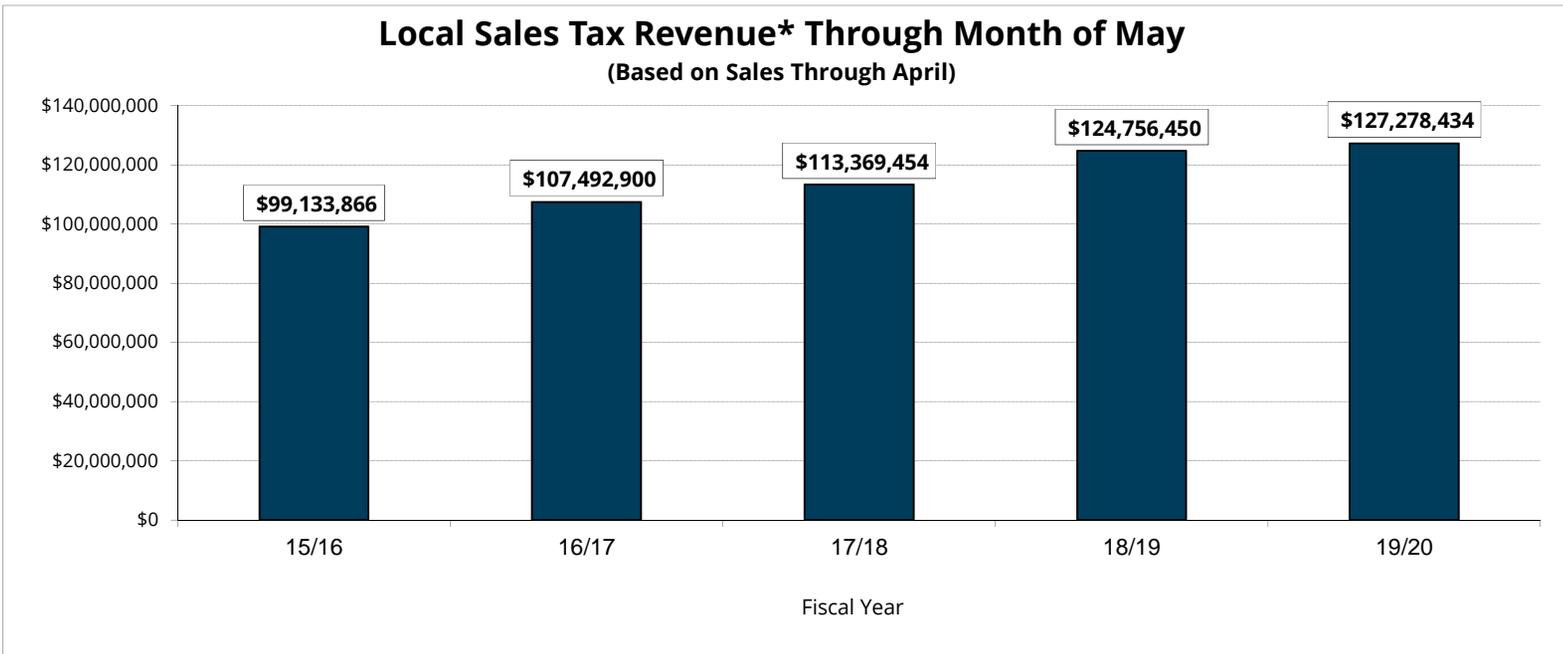
General Fund Revenue Summary

FY 2019-20 Year-To-Date Actuals Through May 2020

General Fund Revenues	Budget		Actuals		Comparison to Prior Year Actuals			
	FY 2019-20 Adopted Budget	FY 2019-20 Budget Prorated Based on Historical Trend	FY 2019-20 Actual Revenue	+ or - of Actual to Budget Based on Historical Trend	% Change of Actual to Budget Based on Historical Trend	FY 2018-19 Actual Revenues for Same Period	Difference + or - from FY 2018-19 to FY 2019-20	% Change of Actuals to Same Period FY 2018-19
Local Sales Tax Collections	\$ 133,000,000	\$ 120,287,151	\$ 127,278,434	\$ 6,991,283	5.8%	\$ 124,756,450	\$ 2,521,984	2.0%
Local Sales Tax Fees, Audit Assessments, Penalties, Interest	1,832,100	1,643,312	1,536,028	(107,284)	-6.5%	1,654,035	(118,007)	-7.1%
Total Local Sales Tax Revenue	\$ 134,832,100	\$ 121,930,462	\$ 128,814,462	\$ 6,884,000	5.6%	\$ 126,410,485	\$ 2,403,977	1.9%
Franchise Fees	3,300,000	2,778,492	2,987,762	209,270	7.5%	2,996,646	(8,884)	-0.3%
Primary Property Taxes	7,821,800	7,390,277	7,314,300	(75,978)	-1.0%	7,242,226	72,074	1.0%
State Shared Sales Taxes	25,000,000	21,233,859	23,541,403	2,307,544	10.9%	22,325,847	1,215,556	5.4%
Vehicle License Tax	11,300,000	9,785,645	9,525,875	(259,770)	-2.7%	9,513,148	12,727	0.1%
Urban Revenue Sharing	31,500,000	28,874,996	30,483,896	1,608,900	5.6%	28,135,903	2,347,993	8.3%
Licenses & Permits	6,905,500	6,041,985	6,296,507	254,522	4.2%	6,833,751	(537,244)	-7.9%
Charges for Services	12,369,250	10,859,274	10,568,718	(290,556)	-2.7%	11,288,599	(719,881)	-6.4%
Fines & Forfeitures	3,763,650	3,441,130	3,111,518	(329,612)	-9.6%	3,580,622	(469,104)	-13.1%
Interest & Investments	3,259,000	2,566,781	4,178,147	1,611,366	62.8%	2,486,120	1,692,027	68.1%
Other Revenues	1,367,883	1,253,893	982,398	(271,495)	-21.7%	1,753,618	(771,220)	-44.0%
Indirect Cost	7,551,592	6,922,293	6,922,293	(0)	0.0%	6,793,876	128,417	1.9%
Total General Fund Revenues	\$ 248,970,775	\$ 223,079,088	\$ 234,727,279	\$ 11,648,191	5.2%	\$ 229,360,841	\$ 5,366,438	2.3%
Prior Month	\$ 248,970,775	\$ 199,942,426	\$ 212,294,091	\$ 12,351,665	6.2%	\$ 205,657,922	\$ 6,636,169	3.2%
Change from Prior Month	\$ -	\$ 23,136,662	\$ 22,433,188	\$ (703,474)	-1.0%	\$ 23,702,919	\$ (1,269,731)	-0.9%

Note:

FY 2019-20 Actual excludes one-time Interfund Transfers-In of \$2,100,000 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 May Each Year (Year-to-Date)

Sales Tax Category	FY18-19		FY 2019-20		FY 2018-19		FY 2017-18		FY 2016-17		FY 2015-16	
	% of Total	% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY
Utilities	10.5%	-1.9%	\$ 13,033,878.98	5.8%	\$ 13,290,790.35	2.5%	\$ 12,564,904.57	-2.0%	\$ 12,254,409.95	3.8%	\$ 12,508,311.12	
Telecommunications	1.6%	9.1%	2,154,021.44	-9.4%	1,973,847.51	-16.2%	2,179,230.96	-11.6%	2,600,293.84	-6.5%	2,942,745.84	
Publishing / Advertising / Printing / Transportation	0.2%	-34.5%	116,013.79	7.2%	177,165.67	-3.6%	165,307.65	-26.2%	171,420.93	-6.3%	232,415.30	
Restaurants & Bars	9.3%	-3.8%	11,132,367.03	8.1%	11,570,195.13	3.5%	10,702,172.16	6.5%	10,343,208.17	5.8%	9,709,138.51	
Amusements	0.9%	-14.1%	999,712.88	18.3%	1,163,196.29	4.2%	983,576.98	1.1%	943,845.52	16.4%	933,304.35	
Real Property Rentals	12.1%	9.5%	16,588,915.19	10.0%	15,155,938.39	9.8%	13,775,362.59	4.2%	12,544,966.67	9.6%	12,033,807.91	
Tangible Personal Property Rentals	3.0%	8.1%	3,984,932.98	9.9%	3,684,722.70	1.2%	3,353,335.79	17.1%	3,314,907.41	-5.7%	2,829,875.15	
Hotels / Motels	3.0%	-5.9%	3,525,689.23	11.0%	3,745,823.30	7.4%	3,375,043.23	16.3%	3,141,632.79	2.2%	2,700,973.83	
Contracting	12.0%	-15.5%	12,562,382.50	34.7%	14,871,693.68	7.4%	11,041,281.87	31.3%	10,281,344.47	-3.4%	7,829,647.38	
Retail / Manufactured Buildings / Jet Fuel	43.5%	7.2%	58,305,606.48	6.2%	54,373,586.49	5.4%	51,217,658.00	4.8%	48,575,068.49	2.9%	46,337,965.96	
Use Tax	3.9%	2.6%	4,874,913.75	18.4%	4,749,490.32	20.8%	4,011,579.77	208.8%	3,321,801.76	3.0%	1,075,681.11	
Total Sales Tax Revenue	100.0%	2.0%	\$ 127,278,434.25	10.0%	\$ 124,756,449.83	5.5%	\$ 113,369,453.57	8.4%	\$ 107,492,900.00	3.0%	\$ 99,133,866.46	

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

Sales Tax Revenue By Class

Through May (Month-over-Month)

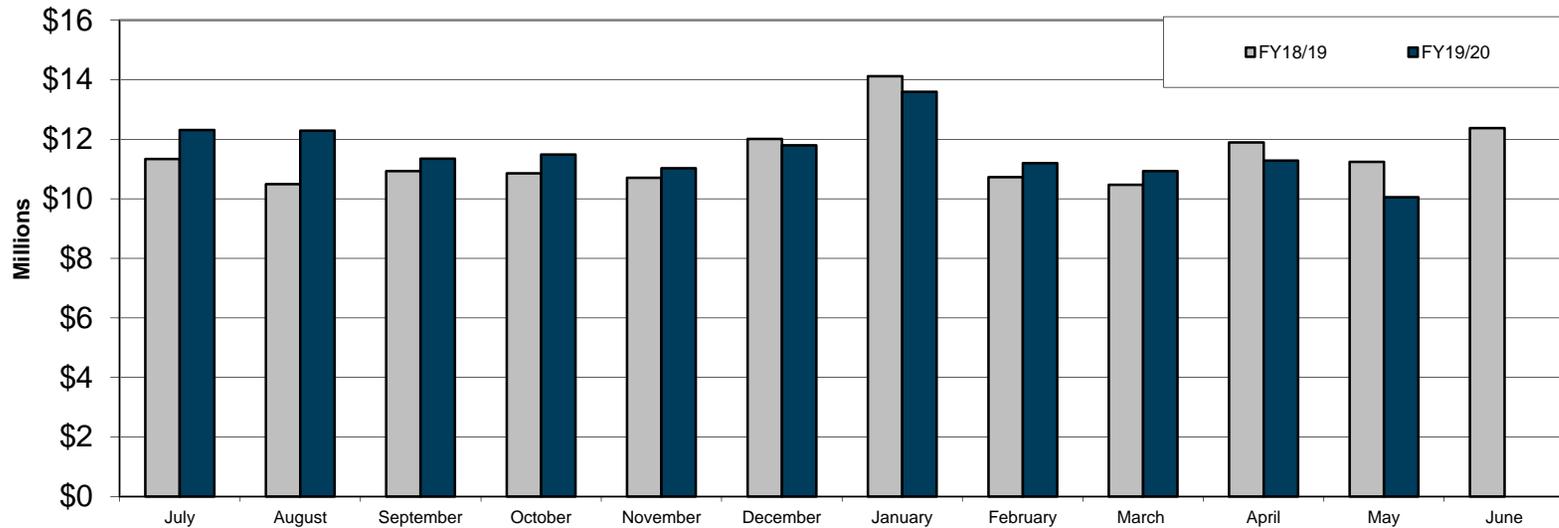
Sales Tax Category	FY18-19		May FY 2019-20		May FY 2018-19		May FY 2017-18		May FY 2016-17		May FY 2015-16	
	% of Total	% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY		% Chg Fm PY
Utilities	7.9%	-4.7%	\$ 851,183.23	-1.5%	\$ 892,882.20	10.0%	\$ 906,558.67	1.5%	\$ 824,042.54	-1.6%	\$ 811,798.14	
Telecommunications	1.8%	-3.0%	194,634.99	65.9%	200,559.91	-41.7%	120,869.09	-19.9%	207,229.15	-13.0%	258,788.21	
Publishing / Advertising / Printing / Transportation	0.1%	-31.8%	11,103.84	-16.8%	16,286.18	-16.8%	13,944.63	-5.7%	16,762.20	-27.4%	17,773.69	
Restaurants & Bars	10.0%	-37.9%	697,779.61	10.4%	1,122,741.91	3.8%	1,017,197.27	0.6%	979,618.96	4.0%	973,553.81	
Amusements	1.1%	-79.0%	26,734.25	54.4%	127,167.69	-13.8%	82,386.71	-4.4%	95,548.48	10.8%	99,963.74	
Real Property Rentals	11.6%	1.6%	1,322,430.50	20.0%	1,301,359.36	-5.0%	1,084,739.67	4.3%	1,141,464.53	-20.5%	1,093,938.64	
Tangible Personal Property Rentals	2.9%	-21.3%	255,673.12	26.8%	324,819.39	-7.8%	256,255.50	7.4%	278,001.01	-26.0%	258,908.34	
Hotels / Motels	3.3%	-80.3%	74,125.23	23.4%	375,706.10	-6.4%	304,477.09	-4.5%	325,358.88	2.2%	340,788.56	
Contracting	12.2%	-22.0%	1,073,200.00	38.4%	1,376,075.84	-4.6%	994,040.21	34.3%	1,042,193.38	6.7%	776,068.63	
Retail / Manufactured Buildings / Jet Fuel	44.9%	-4.9%	4,793,910.75	1.5%	5,041,421.58	9.4%	4,965,592.39	7.6%	4,538,817.14	1.8%	4,218,590.72	
Use Tax	4.1%	64.1%	748,933.63	1.6%	456,455.90	-20.0%	449,231.45	475.7%	561,667.80	-18.0%	97,555.25	
Total Sales Tax Revenue	100.0%	-10.6%	\$ 10,049,709.15	10.2%	\$ 11,235,476.06	1.8%	\$ 10,195,292.68	11.9%	\$ 10,010,704.07	-3.0%	\$ 8,947,727.73	

Local Sales Tax Revenue

Monthly Actuals Compared to Prior Year

Local Sales Tax Collections *	Monthly Collections FY18/19	Monthly Collections FY19/20	\$ Difference + / (-) FY19/20 over FY18/19	% Difference + / (-) FY19/20 over FY18/19
July	\$ 11,336,169	\$ 12,302,360	\$ 966,190	8.5%
August	10,490,872	12,284,035	1,793,164	17.1%
September	10,926,950	11,345,516	418,566	3.8%
October	10,851,553	11,487,595	636,042	5.9%
November	10,703,487	11,022,244	318,758	3.0%
December	12,004,612	11,792,358	(212,254)	-1.8%
January	14,116,030	13,587,573	(528,457)	-3.7%
February	10,726,696	11,200,310	473,613	4.4%
March	10,472,268	10,927,737	455,469	4.3%
April	11,892,337	11,278,996	(613,341)	-5.2%
May	11,235,476	10,049,709	(1,185,767)	-10.6%
June	12,376,721			
Totals	\$ 124,756,450	\$ 127,278,434	\$ 2,521,984	2.0%

Month-to-Month Local Sales Tax Collections



*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 51 Taxpayers (reflects approximately 45% of total TPT)

BUSINESS TYPE	CURRENT MO. May-20	LAST MO. Apr-20	\$ CHANGE MONTH / MONTH	% CHANGE MONTH / MONTH	CURRENT MO. May-20	MO. LAST YEAR May-19	\$ CHANGE SAME PERIOD	% CHANGE SAME PERIOD
Commercial Leasing Subtotal	\$ 223,013	\$ 257,302	\$ (34,289)	-13.33%	\$ 223,013	\$ 164,064	\$ 58,949	35.93%
Construction Contracting Subtotal	\$ 334,527	\$ 323,412	\$ 11,115	3.44%	\$ 334,527	\$ 776,636	\$ (442,109)	-56.93%
Department Store Subtotal	\$ 864,754	\$ 1,008,049	\$ (143,295)	-14.22%	\$ 864,754	\$ 809,798	\$ 54,956	6.79%
Grocery Store Subtotal	\$ 688,524	\$ 815,050	\$ (126,526)	-15.52%	\$ 688,524	\$ 551,684	\$ 136,840	24.80%
Home Improvement Subtotal	\$ 386,261	\$ 301,794	\$ 84,467	27.99%	\$ 386,261	\$ 305,144	\$ 81,117	26.58%
Lodging Subtotal	\$ 9,243	\$ 43,791	\$ (34,548)	-78.89%	\$ 9,243	\$ 36,784	\$ (27,541)	-74.87%
Personal Property Rental Subtotal	\$ 55,660	\$ 95,895	\$ (40,235)	-41.96%	\$ 55,660	\$ 47,810	\$ 7,850	16.42%
General Retailer Subtotal	\$ 634,142	\$ 665,232	\$ (31,090)	-4.67%	\$ 634,142	\$ 537,314	\$ 96,828	18.02%
Telecommunications Subtotal	\$ 88,946	\$ 97,226	\$ (8,280)	-8.52%	\$ 88,946	\$ 95,989	\$ (7,043)	-7.34%
Utility Subtotal	\$ 840,727	\$ 865,024	\$ (24,297)	-2.81%	\$ 840,727	\$ 890,846	\$ (50,119)	-5.63%
Vehicle Dealer Subtotal	\$ 583,791	\$ 638,115	\$ (54,324)	-8.51%	\$ 583,791	\$ 735,248	\$ (151,457)	-20.60%
Total for Top Taxpayers	\$ 4,709,588.59	\$ 5,110,890.42	\$ (401,302)	-7.85%	\$ 4,709,588.59	\$ 4,951,317	\$ (241,728)	-4.88%
Total for all Taxes	\$ 10,049,709	\$ 11,278,996	\$ (1,229,287)	-10.90%	\$ 10,049,709	\$ 11,235,476	\$ (1,185,767)	-10.55%

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
March	No impact	No impact	No impact	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
April	\$ 1,743,037	\$ 396,268	\$ 96,058	\$ 20,000	\$ 200,000	\$ 50,000	\$ -	\$ 2,505,364
May	\$ 3,870,643	\$ 742,874	\$ 183,761	\$ 60,000	\$ 50,000	\$ -	\$ -	\$ 4,907,278
June	\$ 2,227,810	\$ 575,955	\$ 213,593	\$ 20,000	\$ -	\$ -	\$ -	\$ 3,037,358
Total Estimated Impact	\$ 7,841,490	\$ 1,715,097	\$ 493,412	\$ 100,000	\$ 300,000	\$ 50,000	\$ -	\$ 10,500,000

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
March	No impact	No impact	No impact	\$ 69,132	\$ 309,912	\$ 55,976	\$ 97,181	\$ 532,201
April	\$ 613,340	\$ (574,898)	\$ 86,304	\$ (212,159)	\$ 243,302	\$ 123,317	\$ 446,853	\$ 726,059
May	\$ 1,185,767	\$ 497,557	\$ 219,781	\$ 213,369	\$ 299,349	\$ 152,852	\$ (58,627)	\$ 2,510,048
June	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Actual Impact	\$ 1,799,107	\$ (77,341)	\$ 306,085	\$ 70,342	\$ 852,563	\$ 332,145	\$ 485,407	\$ 3,768,308
Variance from Estimate	\$ 6,042,383	\$ 1,792,438	\$ 187,328	\$ 29,658	\$ (552,563)	\$ (282,145)	\$ (485,407)	\$ 6,731,692

Notes:

Top Taxpayers selected using ranking from FY18-19 end of year total tax received.

Revenue is based on total taxes (by taxpayer) received within the Accounting Period; no direct correlation to period of tax return.

General Fund Expenditure Summary Thru May 2020

Department	Adopted Budget	Adjusted Budget	Expenses & Encumbrances Thru May 2020	Percentage of Adjusted Budget Expended & Encumbered Thru May 2020	Percentage of Adjusted Budget Expended & Encumbered Thru May 2019	Over/Under Last Year's Percentage
City Clerk	\$ 749,869	\$ 1,180,676	\$ 1,039,723	88.1%	83.7%	4.4%
City Manager and Organization Support ⁽¹⁾	16,972,444	19,387,746	16,656,954	85.9%	77.4%	8.5%
Communications & Public Affairs	2,574,476	2,966,099	2,201,787	74.2%	82.9%	-8.7%
Community Services	26,971,684	27,854,930	23,276,952	83.6%	88.4%	-4.8%
Cultural Development	3,650,576	3,863,620	3,346,767	86.6%	87.7%	-1.1%
Development Services	8,877,333	9,065,593	7,330,252	80.9%	84.3%	-3.4%
Fire	37,255,753	38,470,718	34,970,714	90.9%	92.0%	-1.1%
Information Technology	11,662,825	12,666,371	10,162,191	80.2%	83.1%	-2.9%
Law	3,795,202	3,862,945	3,485,675	90.2%	91.3%	-1.1%
Magistrate	4,607,201	4,667,631	4,087,097	87.6%	86.1%	1.5%
Management Services	8,137,020	8,327,144	7,168,968	86.1%	87.7%	-1.6%
Mayor and Council	1,049,815	1,064,088	907,646	85.3%	86.7%	-1.4%
Neighborhood Resources	4,013,933	4,263,575	3,230,440	75.8%	85.3%	-9.5%
Police	76,789,941	78,727,632	70,492,580	89.5%	92.5%	-3.0%
Public Works & Utilities	11,312,245	14,625,461	12,841,881	87.8%	87.3%	0.5%
Non-Departmental (Personnel Services and O&M)	40,072,980	37,660,514	28,041,840	74.5%	72.7%	1.8%
Subtotal Prior to Contingencies/Reserves	\$ 258,493,297	\$ 268,654,743	\$ 229,241,467	85.3%	88.1%	-2.8%
Non-Departmental Reserves (Carryforward, Utility, Fuel & DT)	10,650,000	3,650,000	-	0.0%	0.0%	0.0%
Non-Departmental Contingencies (15% & Council)	37,345,700	35,276,618	-	0.0%	0.0%	0.0%
Total General Fund Expenditures	\$ 306,488,997	\$ 307,581,361	\$ 229,241,467	74.5%	78.5%	-4.0%

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

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.