



TOWN OF  
**QUEEN CREEK**  
ARIZONA

# FY 19-20 Year to Date Financial Report

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Operating Budget to Actual Performance  
Fiscal Year to Date through September 2019

Issued November 27, 2019

## ***Executive Summary***

The Town's budget-to-actual performance for the first quarter of fiscal year 2019-20 showed favorable variances for both revenues and expenses. Actual revenues are performing well with receipts exceeding expectations by \$2.0M, or 17%. This is mostly the result of Construction Sales Tax Revenues continuing to perform well and Community Development, Engineering and Building Permit Revenue performing better than expected due to residential and commercial growth.

Actual expenses for the first quarter of the fiscal year are less than budget by \$0.8M, or 6%. The variance is driven by a collection of items, such as staffing vacancies, as well as contractual services and capital items being under contract but not yet expended.

Based on the Revised Budget, the Town expected expenses to exceed revenues by \$2.4M as of September 30, 2019. However, both revenues and expenses performed better than anticipated resulting in revenues exceeding expenses by \$0.4M, an improvement of \$2.7M. The overall operating results are favorable and the Town's financial performance exceeds expectations and continues to perform well.

## Operating Budget

The Operating Budget includes the Town's activity from the General, Streets (HURF), Emergency Services and Horseshoe Park Equestrian Center Funds. The following schedule is a summary of the FY 19-20 Operating Budget. Revenues are expected to exceed expenses by \$11.2M for the year, with this surplus being transferred out to other funds to cover the non-growth share of debt payments and capital improvements. The ending fund balance is expected to be \$42.1M, of which \$23.9M is reserved for pension funding and \$18.2M is reserved for the Town's 25% reserve policy.

### Summary FY 19-20 Operating Budget

	<u>FY 19-20</u> <u>Total Adopted</u> <u>Budget</u>	<u>FY 19-20</u> <u>Total Revised</u> <u>Budget</u>	<u>FY 19-20</u> <u>Year-to-Date</u> <u>Budget</u>	<u>FY 19-20</u> <u>Year-to-Date</u> <u>Actual</u>
Revenues	\$ 66,383,032	\$ 66,815,497	\$ 11,432,200	\$ 13,391,867
Expenses	\$ 54,526,501	\$ 55,621,386	\$ 13,848,057	\$ 13,030,352
Operating Results	\$ 11,856,531	\$ 11,194,111	\$ (2,415,857)	\$ 361,515
Transfers Out				
Events/Grants Match/Other	\$ 25,000	\$ 25,000	\$ -	\$ -
Debt Service	6,771,846	5,521,846	-	-
CIP	5,004,200	5,004,200	-	-
Transfers Out	\$ (11,801,046)	\$ (10,551,046)	-	-
Net Operating Results	\$ 55,485	\$ 643,065	\$ (2,415,857)	\$ 361,515
Beginning Fund Balance	\$ 36,865,183	\$ 41,455,204		
Ending Fund Balance	\$ 36,920,668	\$ 42,098,269		
MSCO Unfunded Pension Liability Reserve	\$ 18,750,068	\$ 20,938,343		
ASRS Unfunded Pension Liability Reserve	\$ -	\$ 2,989,326		
25% Revenue Reserve	\$ 18,170,600	\$ 18,170,600		
Available Fund Balance	\$ -	\$ -		
Total Fund Balance	\$ 36,920,668	\$ 42,098,269		

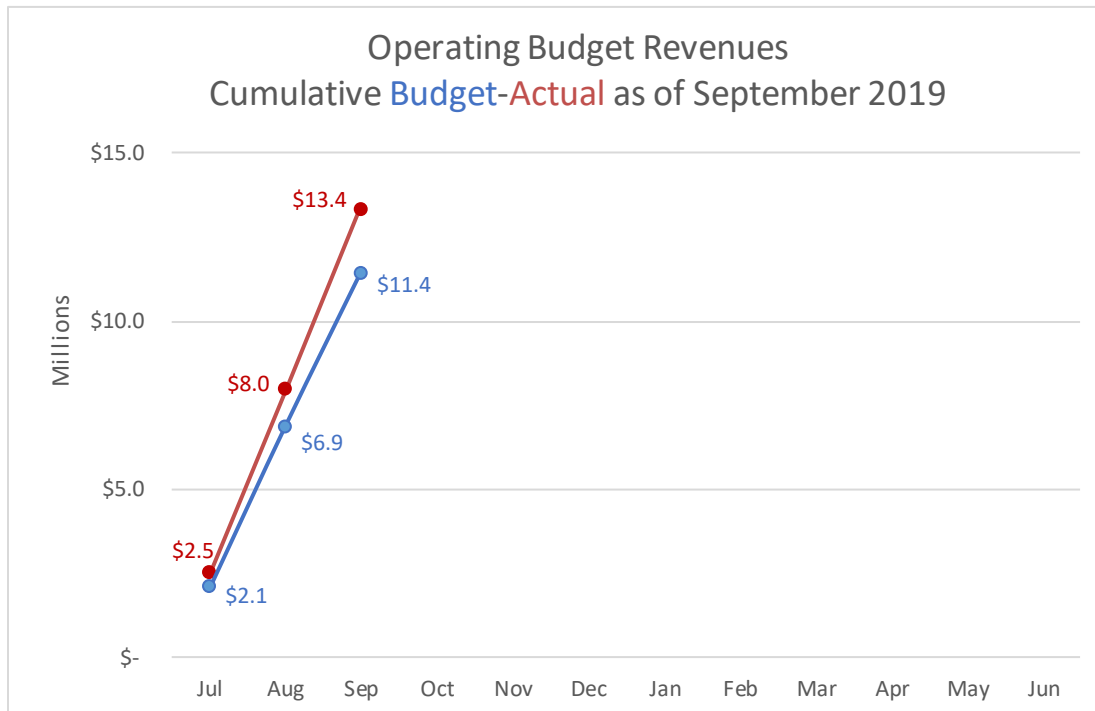
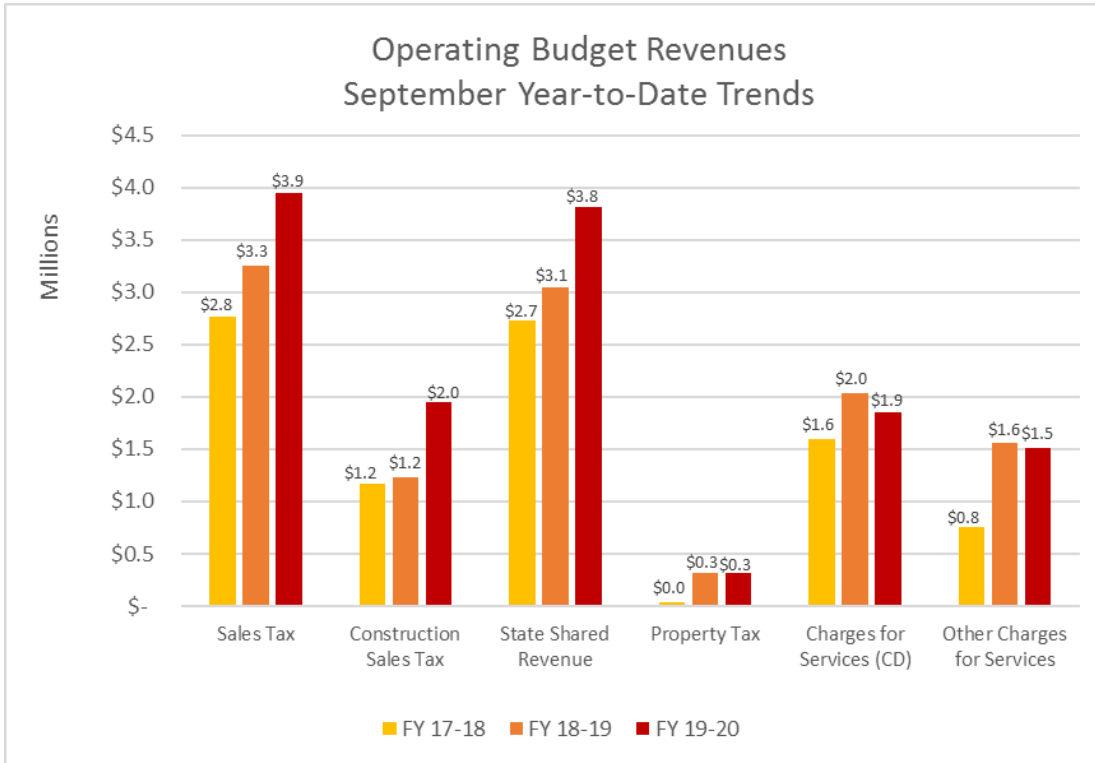
The remainder of this report focuses on revenues and expenses only. It does not include transfers, debt service or infrastructure funding transfers.

**September 2020 Year-to-Date Results**

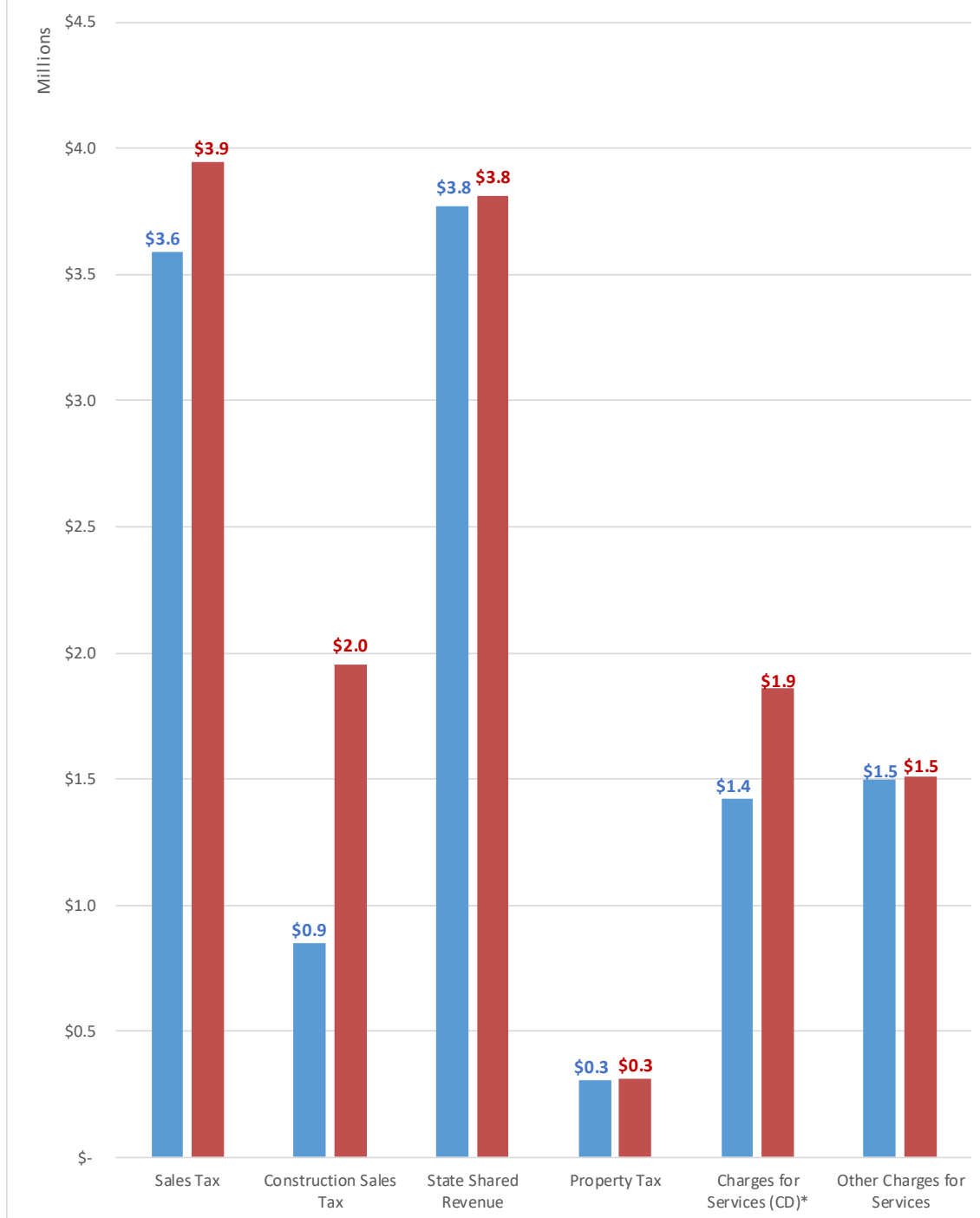
	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u> <u>Favorable/(Unfavorable)</u>	<u>% Variance</u>
<b>Revenues</b>				
Sales Tax	\$ 3,588,094	\$ 3,947,675	\$ 359,581	10%
Construction Sales Tax	851,364	1,955,505	1,104,141	130%
State Shared Revenue	3,768,132	3,809,908	41,776	1%
Property Tax	305,170	313,138	7,968	3%
Charges for Services (CD)*	1,421,440	1,857,947	436,507	31%
Other Charges for Services	1,498,000	1,507,694	9,694	1%
<b>Total Revenues</b>	<b>\$ 11,432,200</b>	<b>\$ 13,391,867</b>	<b>\$ 1,959,667</b>	<b>17%</b>
<b>Expenditures</b>				
Salaries & Benefits	\$ 6,719,736	\$ 6,548,144	\$ 171,592	3%
Supplies & Services	3,871,567	3,523,314	348,252	9%
Maricopa County Sheriff	1,995,868	1,923,457	72,411	4%
Capital Outlay	1,260,886	1,035,437	225,449	18%
<b>Total Expenditures</b>	<b>\$ 13,848,057</b>	<b>\$ 13,030,352</b>	<b>\$ 817,705</b>	<b>6%</b>

\*Consists of Community Development Charges for Services including permits, planning and engineering fees

## Revenue Analysis



**Operating Revenue FYTD September: +\$2.0M (+17%)**  
**\$11.4M FY19-20 Budget to \$13.4M FY19-20 Actual**



Overall, actual revenues show a 17% favorable variance from budgeted revenues year to date. The variances of the Revenue Categories are as follows:

### **Sales Tax**

Sales tax revenue has a favorable variance of \$0.3M or 10% year-to-date and related to increased receipts in communications, as well as strong performance in retail and restaurant activity. Please refer to the Sales Tax Report (Appendix 1) for additional information on sales tax revenues.

### **Construction Sales Tax**

Construction Sales Tax Revenue has a favorable variance of \$1.1M or 130% and is related to ongoing residential and commercial construction activity performing better than anticipated due to continued growth. Please refer to the Sales Tax Report (Appendix 1) for additional information on this revenue.

### **State Shared Revenue**

State Shared Revenue is on target with the budget year-to-date.

### **Property Tax**

Property tax revenue is slightly favorable year-to-date, but is related to the timing of property tax payments. The main influx of property tax revenue will occur in October and November, and again in April and May.

### **Charges for Services (CD)**

Charges for Services (CD) accounts for planning, engineering and building permit revenues. Revenue is favorable by \$0.4M or 31%, as presented in the following schedule:

#### **September 2019 YTD Community Development Detailed Revenues**

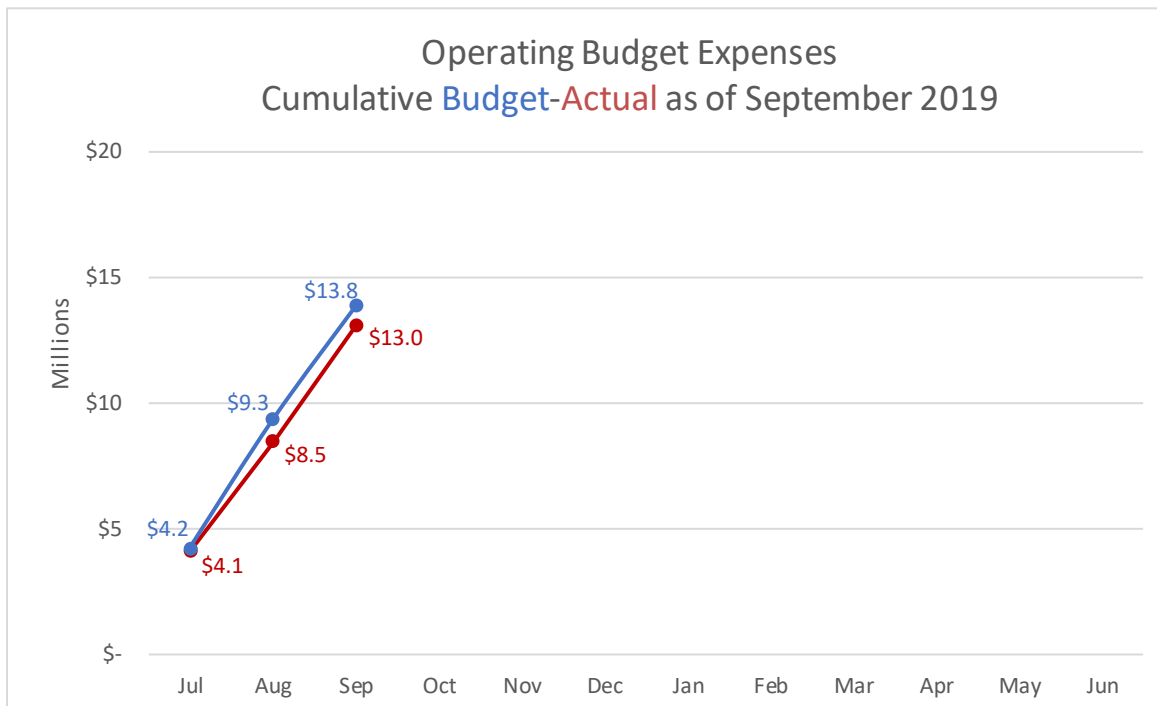
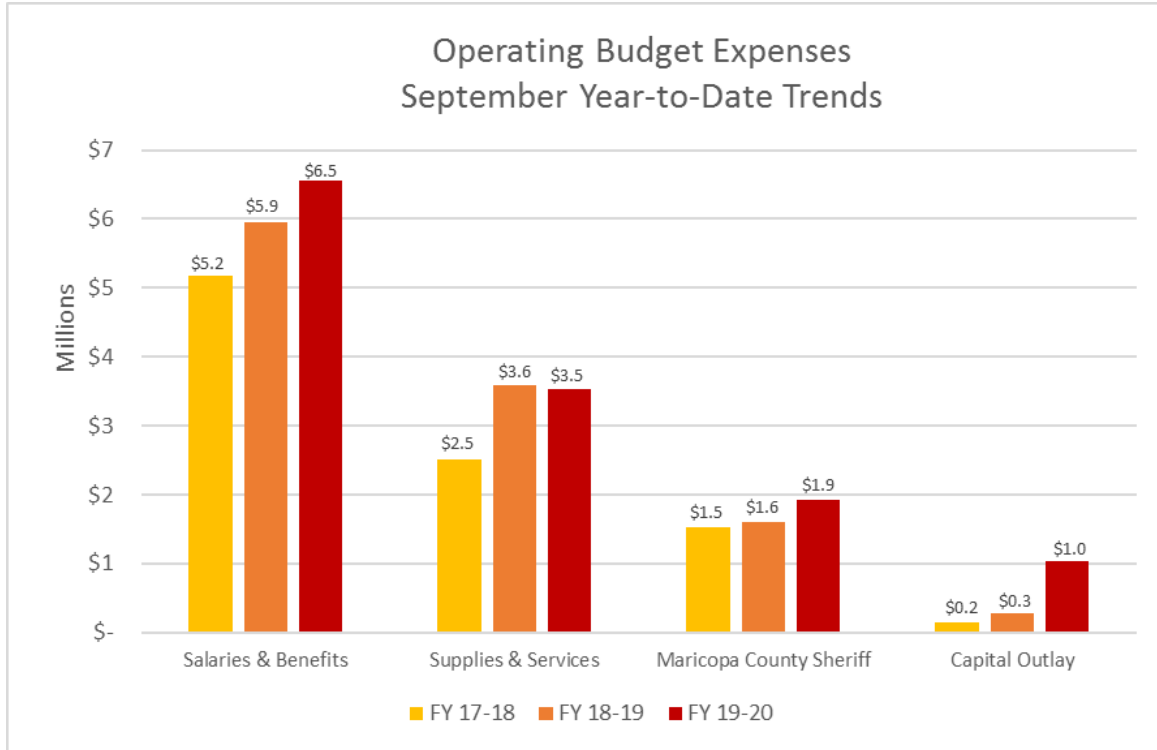
	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Charges for Services (CD)			Favorable/(Unfavorable)	
Planning Revenue	\$ 116,670	\$ 59,715	\$ (56,955)	(49%)
Engineering Revenue	101,280	272,127	170,847	169%
Building Permit Revenue	<u>1,203,490</u>	<u>1,526,105</u>	<u>322,615</u>	<u>27%</u>
Total Charges for Services (CD)	\$ 1,421,440	\$ 1,857,947	\$ 436,507	31%

Planning revenues are mostly the result of residential development planning permits. Engineering revenues are currently coming from five new subdivisions that are in the engineering phase of development. These subdivisions along with other residential projects accounts for \$226K, or 83% of the engineering revenue received year-to-date. The large variance in Building Permit revenues is mainly the result of residential (single-family) permitting, which accounts for \$1.4M or 89% of total building permit revenues. Through September 30 2019, the Town has issued 420 new single-family home permits.

### **Other Charges for Services**

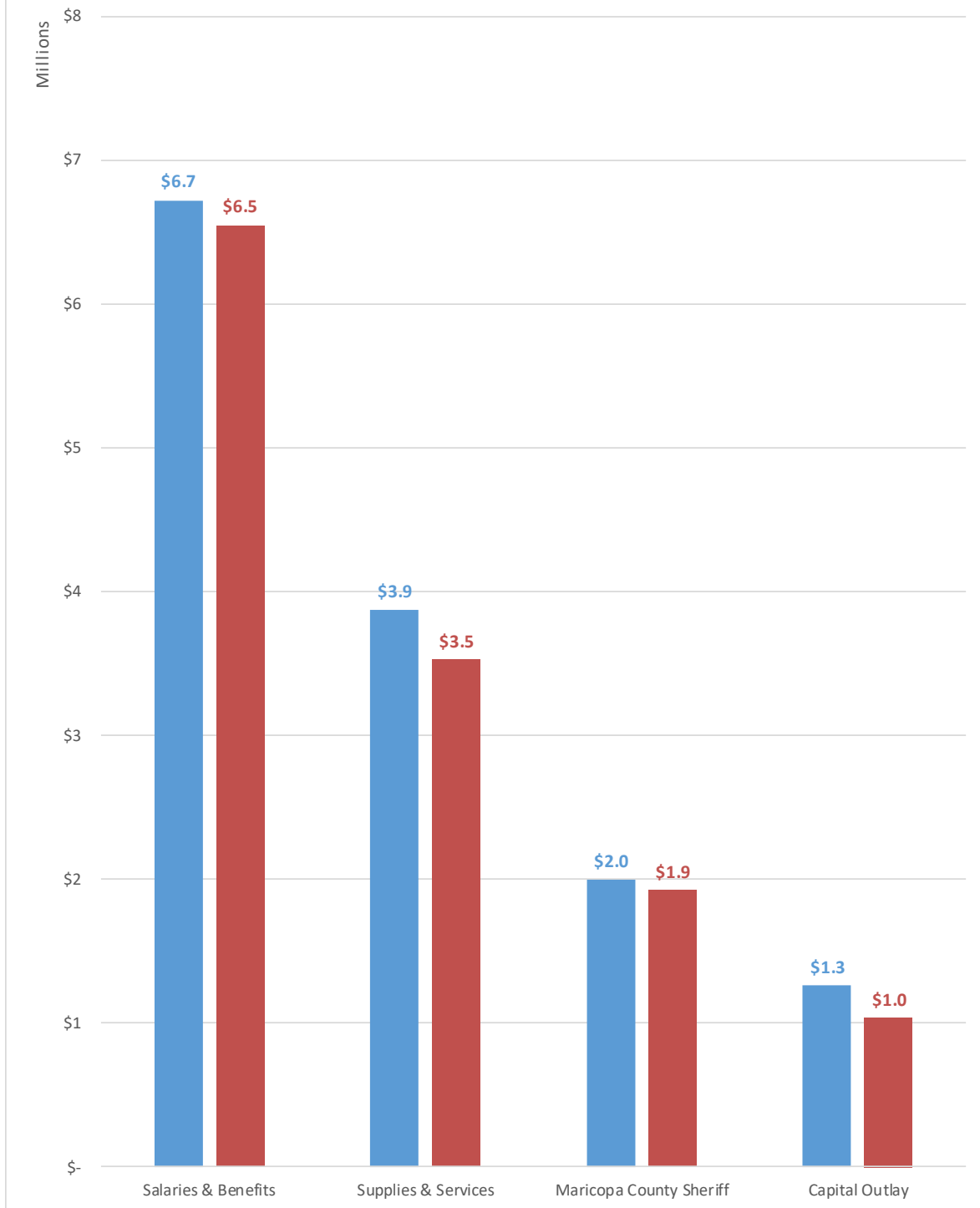
Other Charges for Services is comprised of a number of different sources and is on target with the budget. With the nature of this revenue being a large number of smaller accounts, variances can fluctuate from period to period. The year-to-date revenue is on target with the budget. The largest revenue group in this category is Utility ROI, Utility Franchise Fee and Utility In-Lieu Property Tax from the Town's Water and Sewer utility operations, which together account for \$0.4M of the year-to-date revenue.

## Expense Analysis





**Operating Expense FYTD September: +\$0.8M (+6%)**  
**\$13.8M FY19-20 Budget to \$13.0M FY19-20 Actual**



Year-to-date expenditures for fiscal year 2020 reflect a favorable variance of \$0.8M or 6%.

### **Salaries and Benefits**

Salaries and Benefits expenses year-to-date are \$0.2M or 3% below budget. A majority of this variance is a result of two newly created positions created for FY20 that have yet to be filled as of September 30, as well as a management position in Planning that remains vacant.

### **Supplies and Services**

Supplies and Services expenses are under budget by \$0.3M or 9% to date. Mansel Carter Oasis Park received a one-time adjustment to water expenses in FY20 due to incorrect billings in previous months, creating a variance in this category. In addition, the newly created \$250k Repair and Maintenance budget in Facilities Maintenance was spread evenly across 12 months not knowing how repairs would be planned. To date the favorable variance is about \$90K, and staff will monitor expenditures and realign the budget as necessary in future periods.

### **Maricopa County Sheriff**

Maricopa County Sheriff costs were favorable by \$0.1 or 4% for the fiscal year. This is a result of MCSO vacancies that the Town is now receiving credit for on a regular basis.

### **Capital Outlay**

Capital Outlay ended the first quarter with a favorable variance of \$0.2M or 18%. The budgets in this category are for one-time purchases related to major equipment and special projects. A majority of the variance (\$147K) is related to a replacement dump truck that is on order, but has not yet been received.



TOWN OF  
**QUEEN CREEK**  
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# FY 19-20 Year to Date Sales Tax Report

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FY 19-20 Business Activity through August 2019\*

Issued November 2019

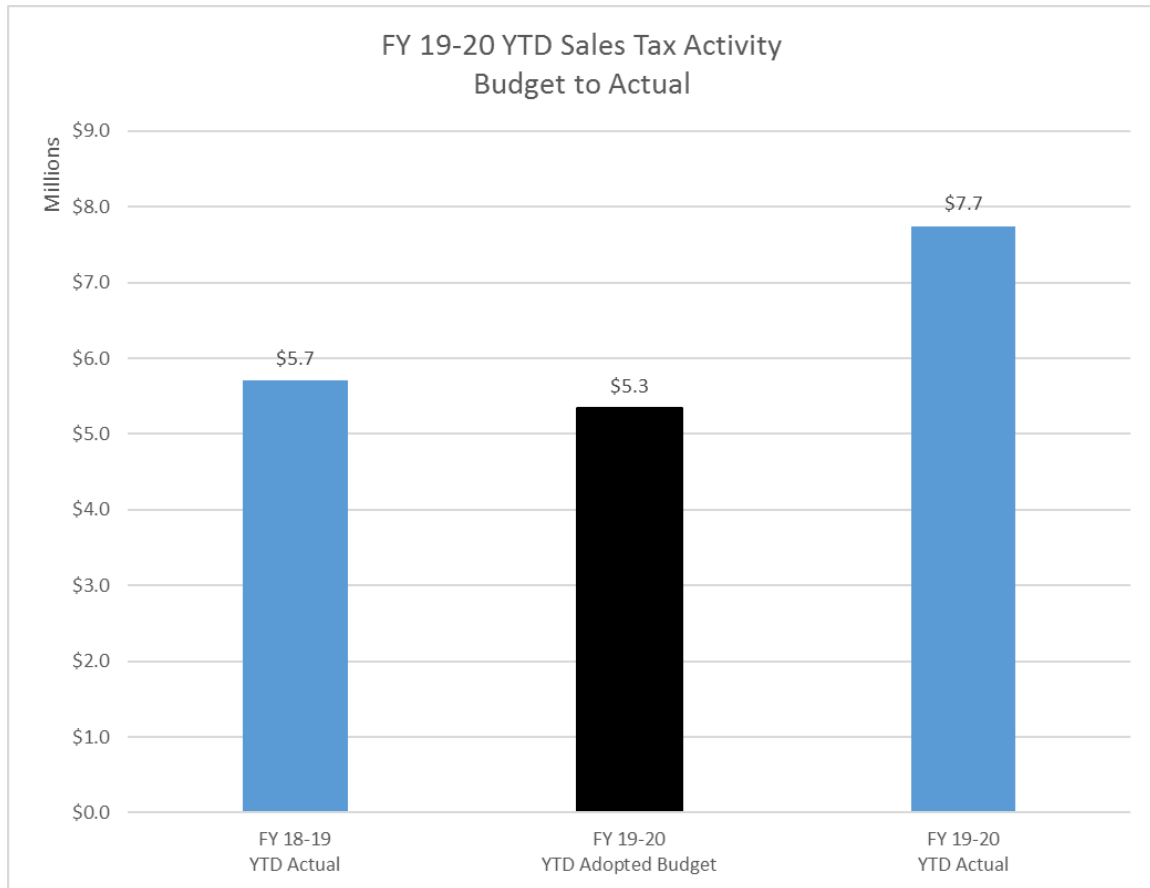
This report contains information regarding the actual revenue collections from the Town's 2.0% sales tax reflected in the General Fund, 0.25% dedicated EMS sales tax, 0.25% Town Center dedicated sales tax and the 2.0% Construction Contracting sales tax dedicated to infrastructure improvements.

\*Sales tax activity revenue generated in August is received by the Town in September and included with the September Financial Report.

## YEAR-TO-DATE FY 19-20 SALES TAX ACTIVITY

### OVERALL PERFORMANCE SUMMARY:

The August 2019 sales tax revenue year-to-date total of \$7.7M exceeds the adopted budget by 45%, or \$2.4M. Relative to the same period in FY 18-19, FY 19-20 actuals are 36%, or \$2.0M higher than the previous year.



Sales Category	FY 18-19 YTD Actual	FY 19-20 YTD Adopted Budget	FY 19-20 YTD Actual	FY 19-20 YTD Adopted Budget-To-Actual		FY 18-19 YTD Actual to FY 19-20 YTD Actual	
				\$ Variance	% Variance	\$ Variance	% Variance
Construction	\$ 2,325,853	\$ 1,608,138	\$ 3,693,732	\$ 2,085,594	130%	\$ 1,367,880	59%
Retail Trade	\$ 2,027,288	2,261,724	2,394,187	132,463	6%	366,900	18%
Communications & Utilities	\$ 406,235	357,533	516,730	159,197	45%	110,495	27%
Restaurant & Bar	\$ 464,423	552,507	565,871	13,364	2%	101,448	22%
Real Estate, Rental & Leasing	\$ 284,973	311,002	316,101	5,099	2%	31,127	11%
All Others**	\$ 192,620	245,999	259,963	13,964	6%	67,343	35%
<b>Totals</b>	<b>\$ 5,701,391</b>	<b>\$ 5,336,903</b>	<b>\$ 7,746,584</b>	<b>\$ 2,409,681</b>	<b>45%</b>	<b>\$ 2,045,193</b>	<b>36%</b>

\*\*All Others includes transportation, wholesale trade, finance and insurance, services, arts and entertainment, and other categories.

Note: FY 19-20 and FY 18-19 reporting categories are based on Arizona Department of Revenue Business Code classifications.

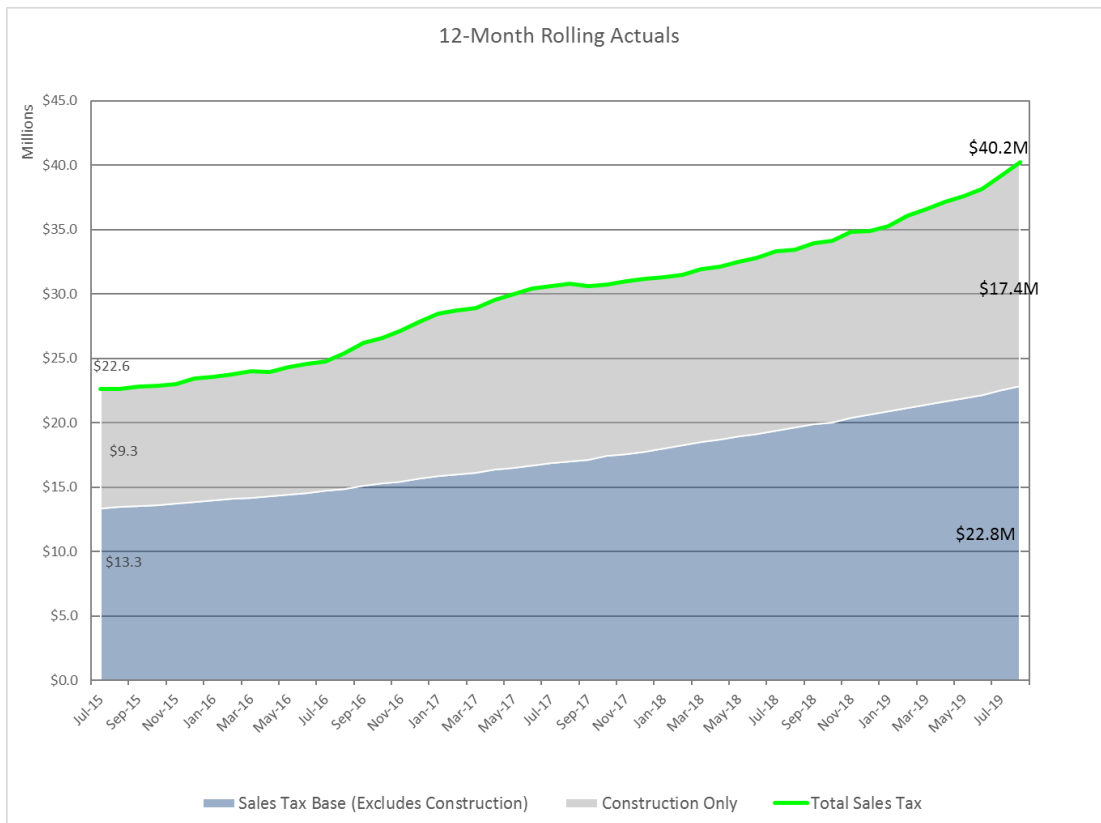
## ANALYSIS

The positive budget-to-actual sales tax revenue variance stems largely from strong performance in construction contracting (130% above budget). A year-by-year trend analysis for the Construction category is located in the appendix of this report.

Town of Queen Creek sales tax collections are also positively impacted by the high incomes of Town households. Per the 2017 American Communities Supplemental Survey data provided by the US Census, Queen Creek’s median household income is \$96,802, which is among the highest in the region for full-service cities and towns. Additionally, taxable spending from an estimated 100K+ population from Eastmark master-planned community (Mesa) and unincorporated San Tan Valley has a significant impact on the Town’s sales tax revenues. A recent study from Elliot Pollack & Company estimates that as of FY 17-18, about 38% of sales tax collections in the retail category and about 47% in the restaurant and bar category are from non-Queen Creek resident spending in the Town.

## HISTORICAL 12 MONTH ROLLING PERIODS

The following section contains a 12-month rolling historical actuals chart for the sales tax base (everything except construction) and separately for construction contracting sales tax revenues. Together, these categories comprise the total monthly revenue collections for sales tax. This chart is useful to identify the overall data trends since 2015. Of particular note is the continued growth of the sales tax base over time, which signifies that the Town’s commercial sectors are growing, diversifying and maturing since 2015.



## YEAR-TO-DATE ANALYSIS BY CATEGORY

### CONSTRUCTION CONTRACTING:

Construction sales tax is collected on all construction activity; commercial, new residential and major residential remodels. It also includes landscaping, painting, flooring installation, siding, roofing, concrete, plumbing, heating, framing, drywall, infrastructure, masonry, finish carpentry, etc. Speculative construction activity (developing land for sale as a building site) is also included in this category.

**August 2019 Actuals: \$1.9M**

**FY 19-20 YTD Actuals: \$3.7M**

**FY 19-20 YTD Budget to Actual Variance of \$2.1M or 130%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$1.4M or 59%**

Year-to-date FY 19-20 collections exceed the FY20 budget and the prior fiscal year actuals through August activity. Performance in construction contracting ties mostly to new home sales and in particular, the large-scale homebuilders. Known major homebuilders accounted for the majority of construction contracting sales tax revenues for the month of August. Sales tax paid by homebuilders ties to the sale of a new home, which is dependent on permit completions. The following schedule displays new single-family home (NSF) permits issued and home completions over a rolling 12-month period for the current fiscal year against the previous fiscal year according to Queen Creek’s Development Services Department:

12-Month Rolling NSF Home Permits	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total	Mo. Avg.
FY 18-19 TOQC NSF Permits Issued	39	55	51	55	79	70	92	108	100	181	167	148	1,145	95
FY 19-20 TOQC NSF Permits Issued	70	97	71	113	84	107	92	126	136	114	158	124	1,292	108

12-Month Rolling NSF Home Completions	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total	Mo. Avg.
FY 18-19 TOQC NSF Completions	-	71	78	69	48	56	63	72	84	83	92	88	804	73
FY 19-20 TOQC NSF Completions	74	79	103	82	84	92	122	106	131	136	135	129	1,273	106

The Town utilizes RL Brown Housing Reports, an independent source of housing market information, to track monthly home sales, which are an indicator of construction sales tax receipts for the month. RL Brown’s data indicates that Queen Creek had 150 new home sales close in the month of August with an average sales price of \$440K for these homes. The table on the following page shows the monthly closings by builder, average sale price and estimated gross revenue for the month of August.

## Appendix 1: Queen Creek Monthly Sales Tax Report

BUILDER	# CLOSINGS	AVG. SALES PRICE	EST. GROSS REVENUE
FULTON HOMES	42	\$ 373,665	\$ 15,693,919
WILLIAM LYON HOMES	35	373,394	13,068,778
LENNAR HOMES	19	419,703	7,974,350
TOLL BROTHERS	11	622,523	6,847,749
RICHMOND AMERICAN	10	495,983	4,959,826
SHEA HOMES	8	395,546	3,164,368
CALATLANTIC HOMES	6	436,089	2,616,535
VIP HOMES	5	617,017	3,085,084
WOODSIDE HOMES	4	401,356	1,605,425
ROSEWOOD HOMES	3	454,832	1,364,495
ELLIOTT HOMES	2	616,659	1,233,317
CRESLEIGH HOMES	2	333,939	667,877
GEHAN HOMES	1	417,990	417,990
WTD HOMES & DESIGN	1	345,000	345,000
MISC CUSTOM	1	259,900	259,900
<b>TOTALS</b>	<b>150</b>	<b>\$ 437,573</b>	<b>\$ 63,304,613</b>

### RETAIL TRADE:

Retail trade includes large department stores, auto dealers, grocery stores, supercenters, automotive repairs, discount stores, home furnishings, drug stores, jewelry and other vendors typically selling merchandise in small quantities to the public.

**August 2019 Actuals: \$1.1M**

**FY 19-20 YTD Actuals: \$2.4M**

**FY 19-20 YTD Budget to Actual Variance of \$132K or 6%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$367K or 18%**

FY 19-20 YTD collections in the retail category exceeded the FY20 budget and prior year actual collections. Compared to the previous fiscal year, new businesses continue to open, but more influentially, retail anchors in the major retail centers in the Town are performing well. The higher-dollar entities drive revenue in this class. In August, the top 20 payers of 1,732 total payers in the retail category delivered 68% of the revenue. The top 10 payers in the category account for 58% of the total.

### COMMUNICATIONS/UTILITIES:

This category includes businesses that provide telecommunications (internet, telephone, cellular service, cable/satellite television, etc.) and electricity, gas, or water services.

**August 2019 Actuals: \$225K**

**FY 19-20 YTD Actuals: \$520K**

**FY 19-20 YTD Budget to Actual Variance of \$160K or 45%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$110K or 27%**

## Appendix 1: Queen Creek Monthly Sales Tax Report

Collections in the communications/utilities category were above the adopted FY20 budget and prior year collections due to higher-than-average temperatures and a less-active monsoon season through August. This caused higher energy consumption levels and a resulting increase in collections relating to utilities.

### **RESTAURANTS & BARS:**

This industry is comprised of establishments serving customers by preparing meals, snacks, and beverages for immediate consumption.

**August 2019 Actuals: \$285K**

**FY 19-20 YTD Actuals: \$570K**

**FY 19-20 YTD Budget to Actual Variance of \$13K or 2%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$100K or 22%**

This category is flat to the budget and but exceeding previous year actual collections. Performance in this category is tied to several new establishments opening in Queen Creek, continued solid performance from major vendors, and population growth.

### **RENTAL, REAL ESTATE & LEASES:**

This category consists of entities engaged in renting or leasing tangible and intangible assets as well as other establishments providing related services.

**August 2019 Actuals: \$161K**

**FY 19-20 YTD Actuals: \$315K**

**FY 19-20 YTD Budget to Actual Variance of \$5K or 2%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$30K or 11%**

Collections in this category are relatively flat to the budget, but above prior year levels.

### **ALL OTHER CATEGORIES:**

The categories included here are transportation, manufacturing, wholesale trade, finance and insurance, services, and arts and entertainment. Use tax is also included in this category.

**August 2019 Actuals: \$125K**

**FY 19-20 YTD Actuals: \$260K**

**FY 19-20 YTD Budget to Actual Variance of \$14K or 6%**

**FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$67K or 35%**

This category is above the current year budget and previous year actual collections.



**APPENDIX:**

**SALES TAX BACKGROUND INFORMATION:**

The Town of Queen Creek’s sales tax is the largest revenue source for Town operations. The Town of Queen Creek’s Transaction Privilege Tax (TPT) program is administered by the State of Arizona’s Department of Revenue (AZDOR). AZDOR issues TPT licenses to businesses, updates license data, provides support, collects tax dollars due, performs audits, and distributes the tax revenue to the Town.

**SALES TAX RATE DETAILS**

The Town of Queen Creek has the following sales tax rates:

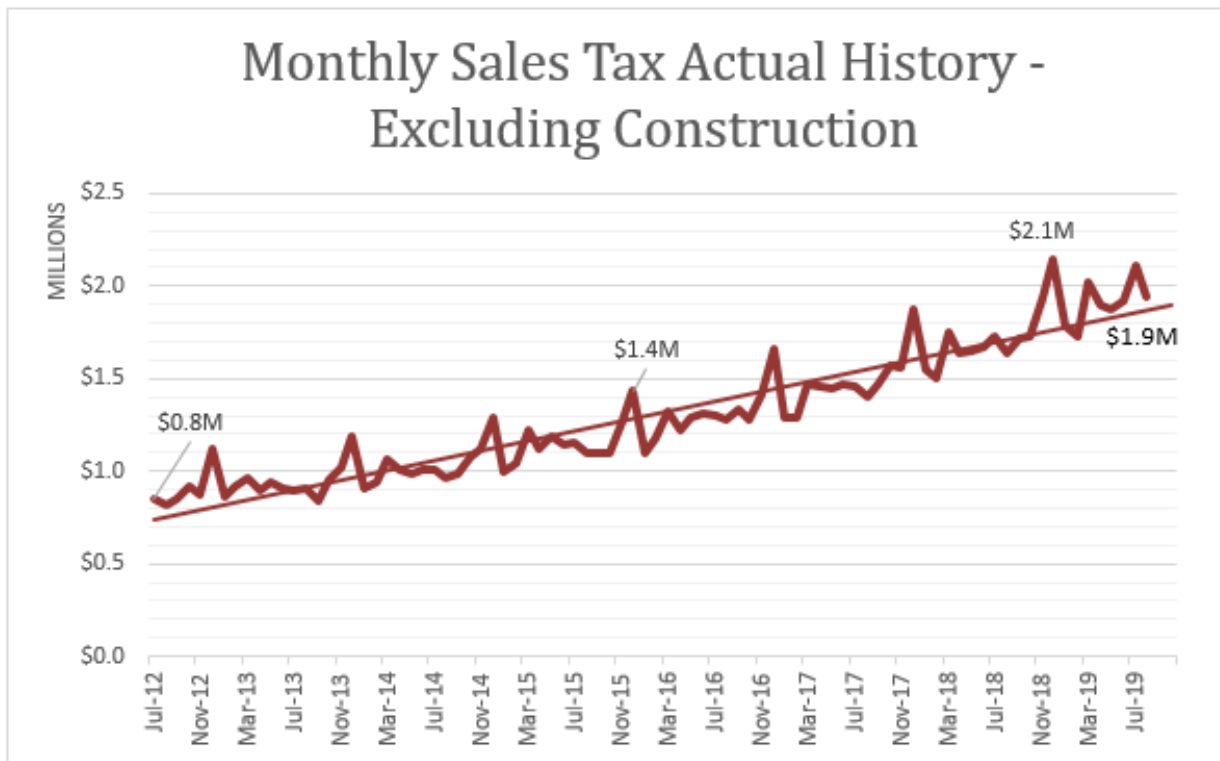
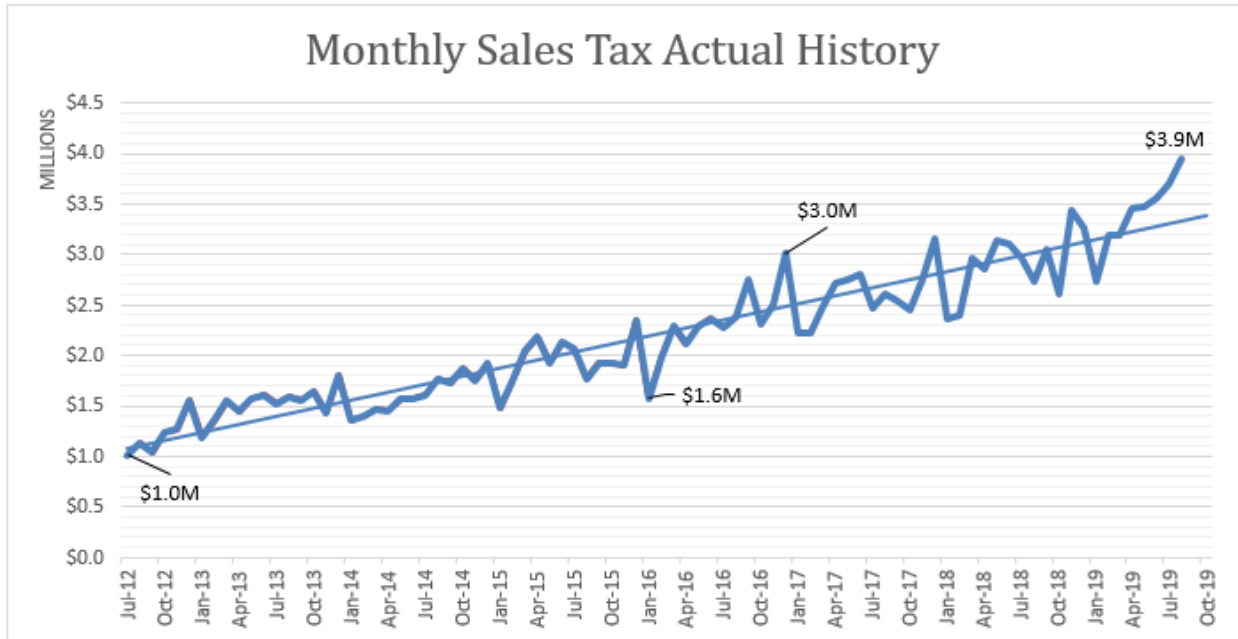
- 2.0% tax rate charged on all taxable activities within Town limits
  - Dedicated to the General Fund for general purpose government operations
- 0.25% tax rate charged on all taxable activities within Town limits
  - Dedicated to the Emergency Services (EMS) Fund to fund law enforcement and fire and medical services
- 0.25% special district rate – an additional tax rate charged on certain taxable activities occurring within certain major retail developments in Town Center: Queen Creek Marketplace, Cornerstone, and QC District
  - Dedicated to the Town Center Fund to fund infrastructure related improvements and other operations within the Town Center planning area
- 2.0% additional tax rate on construction contracting activities within Town limits
  - Dedicated to funding infrastructure improvements within Town limits

Sales Tax Rate Components					
Queen Creek Rate		Queen Creek Special District Rate (Town Center)		Construction Contracting Rate	
General Fund	2.00%	General Fund	2.00%	General Fund	2.00%
EMS	0.25%	EMS	0.25%	EMS	0.25%
		Town Center	0.25%	Construction Fund	2.00%
<b>Total Rate</b>	<b>2.25%</b>	<b>Total Rate</b>	<b>2.50%</b>	<b>Total Rate</b>	<b>4.25%</b>

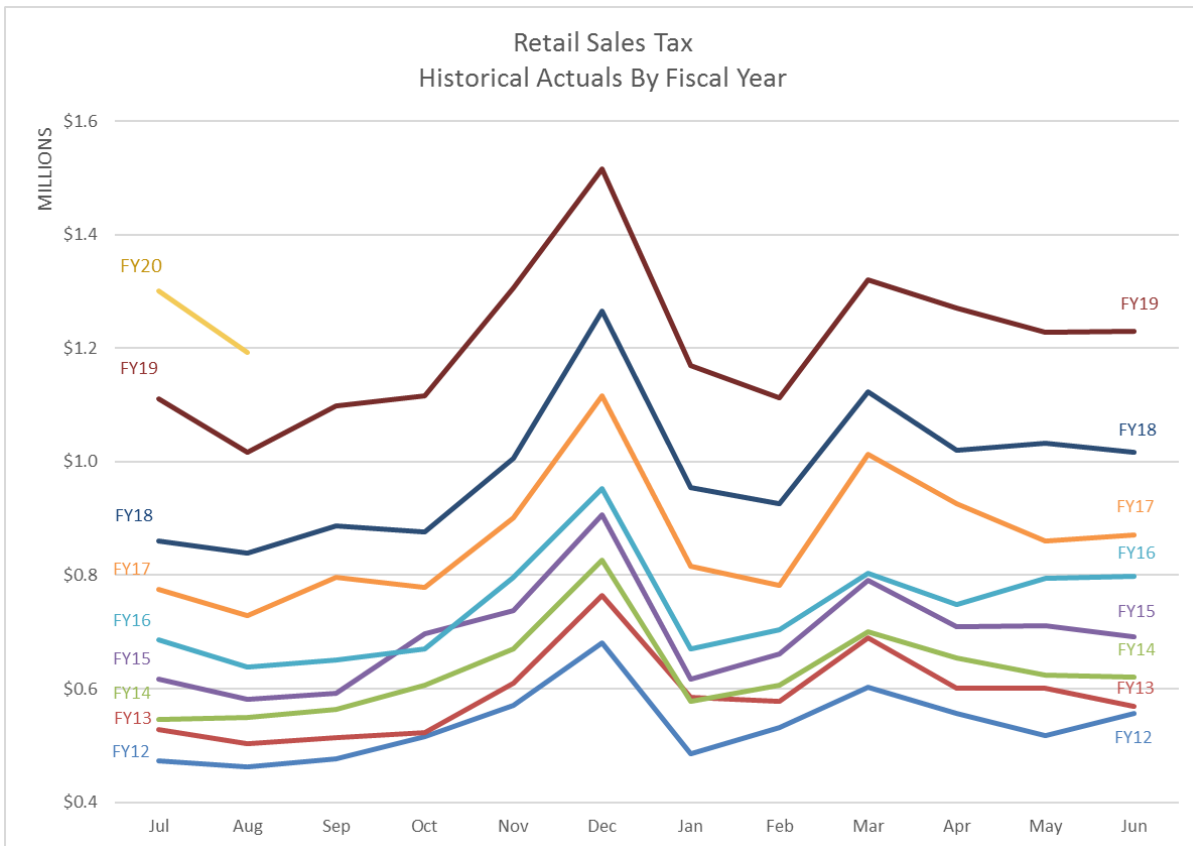
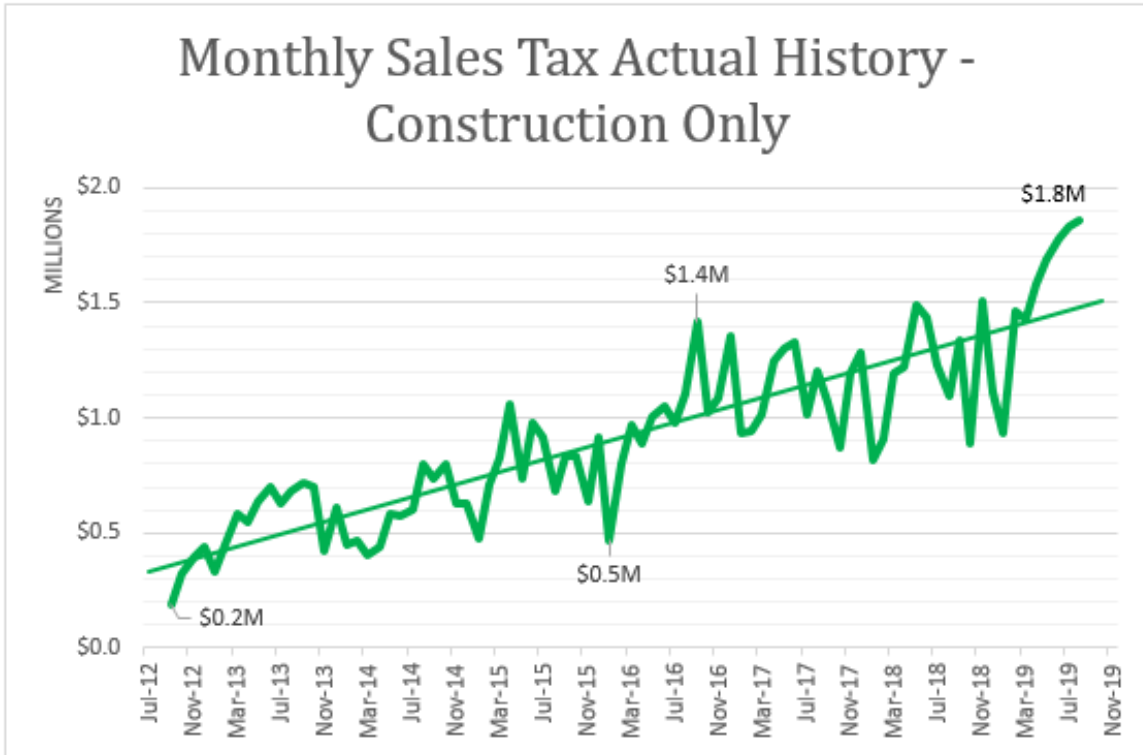
Revenue by Fund	YTD	% of Total
General Fund	\$ 5,247,271	67.7%
EMS Fund	655,909	8.5%
Town Center Fund	105,177	1.4%
Construction Fund	1,738,227	22.4%
<b>Totals</b>	<b>\$ 7,746,584</b>	<b>100.0%</b>

Operating Budget	Jul	Aug	FY19-20 YTD
General Fund	\$ 2,687,713	\$ 2,559,558	\$ 5,247,271
EMS Fund	\$ 335,964	319,945	\$ 655,909
<b>Total Operating Budget</b>	<b>\$ 3,023,679</b>	<b>\$ 2,879,502</b>	<b>\$ 5,903,181</b>

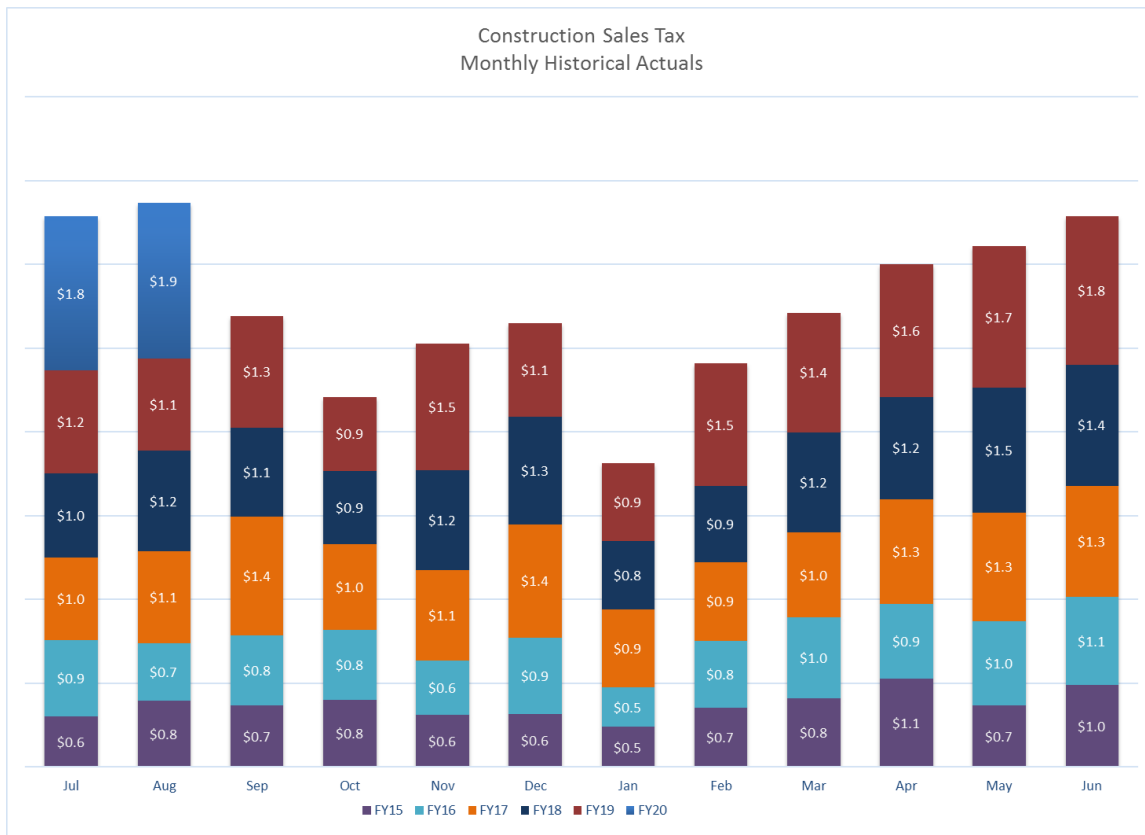
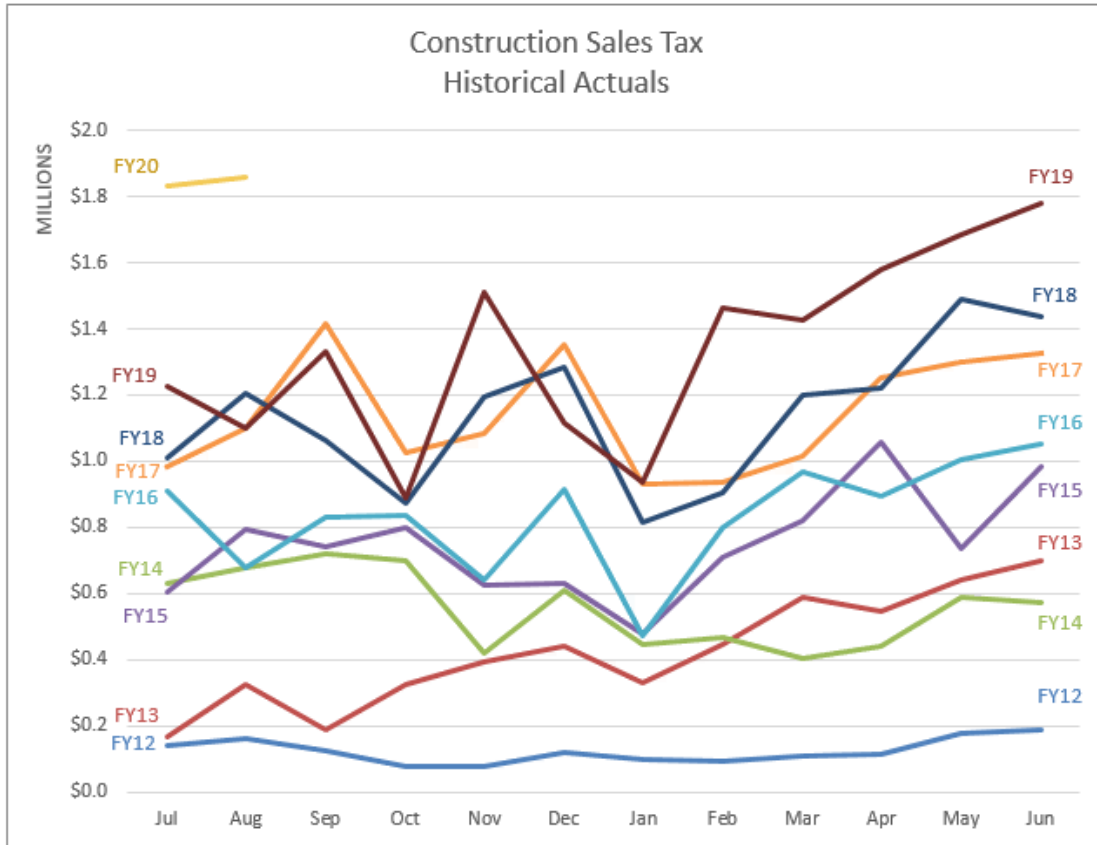
## Historical Performance



Appendix 1: Queen Creek Monthly Sales Tax Report



Appendix 1: Queen Creek Monthly Sales Tax Report



## Appendix 1: Queen Creek Monthly Sales Tax Report

Note: In FY 19-20 reporting is revised to reflect ADOR business code categories. Overall TPT revenues are not impacted.

### TAX RATE CATEGORIES

Town-wide Queen Creek Sales Tax Rates:

CITY/TOWN NAME	REGION CODE	BUSINESS CODE	TAX RATE	COUNTY
<b>QUEEN CREEK</b>	<b>QC</b>			<b>MAR/PNL</b>
Advertising		018	2.25%	
Amusements		012	2.25%	
Contracting – Prime		015	4.25%	
Contracting – Speculative Builders		016	4.25%	
Contracting – Owner Builder		037	4.25%	
Job Printing		010	2.25%	
Manufactured Buildings		027	2.25%	
Timbering and Other Extraction		020	2.25%	
Severance – Metal Mining		019	0.10%	
Publication		009	2.25%	
Hotels		044	2.25%	
Hotel/Motel (Additional Tax)		144	3.00%	
Residential Rental, Leasing, & Licensing for Use		045	2.25%	
Commercial Rental, Leasing, & Licensing for Use		213	2.25%	
Rental, Leasing, & Licensing for Use of		214	2.25%	
Restaurant and Bars		011	2.25%	
Retail Sales		017	2.25%	
Retail Sales Food for Home		062	2.25%	
MRRRA Amount		315	2.25%	
Communications		005	2.25%	
Transporting		006	2.25%	
Utilities		004	2.25%	
Use Tax Purchases		029	2.25%	
Use Tax From Inventory		030	2.25%	

Queen Creek Special District Tax Rates (Town Center):

CITY/TOWN NAME	REGION CODE	BUSINESS CODE	TAX RATE	COUNTY
<b>QUEEN CREEK SPECIAL DISTRICT</b>	<b>QD</b>			<b>MAR</b>
Amusements		012	2.5%	
Job Printing		010	2.5%	
Publication		009	2.5%	
Hotels		044	2.5%	
Restaurant and Bars		011	2.5%	
Retail Sales		017	2.5%	
Retail Sales for Food Home Consumption		062	2.5%	
MRRRA Amount		315	2.5%	
Communications		005	2.5%	
Utilities		004	2.5%	