



TOWN OF
QUEEN CREEK
ARIZONA

FY 19-20 Year to Date Sales Tax Report

FY 19-20 Business Activity through June 2020*

Issued August 2020

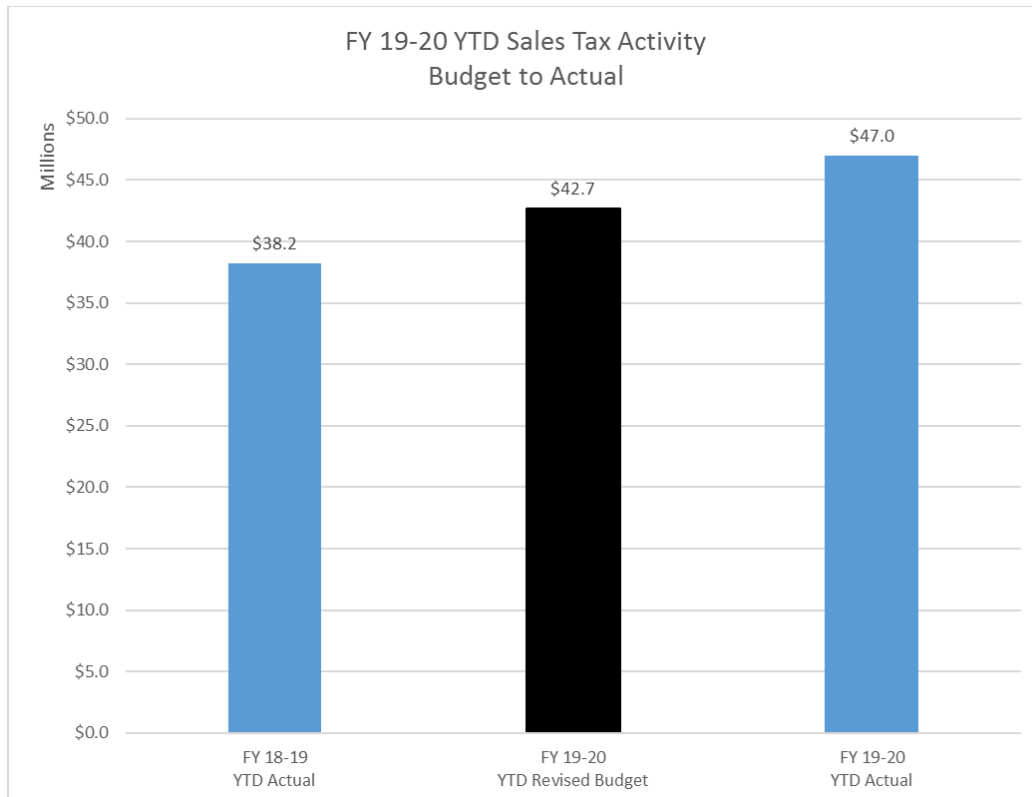
This report contains information regarding the actual revenue collections from the Town's 2.0% sales tax reflected in the General Fund, 0.25% dedicated EMS sales tax, 0.25% Town Center dedicated sales tax and the 2.0% Construction Contracting sales tax dedicated to infrastructure improvements.

*Sales tax activity revenue generated in June is received by the Town in July and included with the July Financial Report.

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

OVERALL PERFORMANCE SUMMARY:

The June 2020 sales tax revenue year-to-date total of \$47.0M exceeds the revised budget by 10%, or \$4.3M. Relative to the same period in FY 18-19, FY 19-20 actuals are 23%, or \$8.8M higher than the previous year.



Sales Category	FY 18-19 YTD Actual	FY 19-20		FY 19-20 YTD Revised Budget-To-Actual		FY 18-19 YTD Actual to FY 19-20 YTD Actual	
		YTD Revised Budget	YTD Actual	\$ Variance	% Variance	\$ Increase	% Increase
Construction	\$ 16,048,176	\$ 16,851,001	\$ 20,340,225	\$ 3,489,224	21%	\$ 4,292,049	27%
Retail Trade	\$ 13,895,402	16,157,581	17,611,268	1,453,687	9%	3,715,865	27%
Communications & Utilities	\$ 1,671,871	1,828,701	1,936,269	107,568	6%	264,398	16%
Restaurant & Bar	\$ 3,223,117	4,399,702	3,589,970	(809,732)	(18%)	366,853	11%
Real Estate, Rental & Leasing	\$ 1,875,118	1,918,399	1,952,755	34,356	2%	77,638	4%
All Others**	\$ 1,470,186	1,533,856	1,557,006	23,150	2%	86,821	6%
Totals	\$ 38,183,870	\$ 42,689,240	\$ 46,987,494	\$ 4,298,254	10%	\$ 8,803,624	23%

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

Note: Reporting categories are based on Arizona Department of Revenue Business Code classifications.

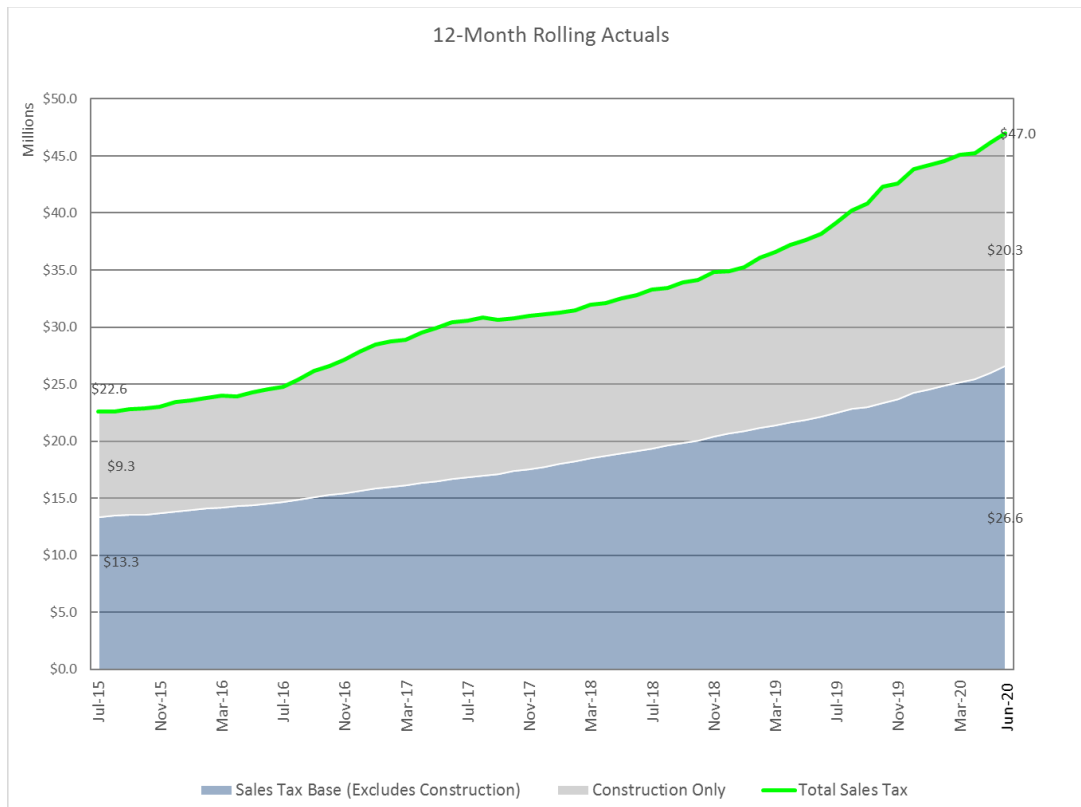
ANALYSIS

Town of Queen Creek sales tax collections are 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 Elliott 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.

June sales tax collections in FY 19-20 were higher than in FY 18-19 despite continued limitations on business operations and business closures throughout the Town due to the COVID-19 pandemic. Many businesses were allowed to reopen after the stay-at-home order was lifted in mid-May, which may have positively impacted the Town’s sales tax collections through June.

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 have continued to grow, diversify, and mature 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.

June 2020 Actuals: \$1.9M

FY 19-20 YTD Actuals: \$20.3M

FY 19-20 YTD Revised Budget to Actual Variance of \$3.5M or 21%

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$4.3M or 27%

FY 19-20 collections exceed the FY 19-20 revised budget and the prior fiscal year actuals through June 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 June. 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	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	Mo. Avg.	
FY 18-19 TOQC NSF Permits Issued		167	148	70	97	71	113	84	107	92	126	136	114	1,325	110
FY 19-20 TOQC NSF Permits Issued		158	124	138	142	117	147	149	136	169	222	97	151	1,750	146
12-Month Rolling NSF Home Completions	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	Mo. Avg.	
FY 18-19 TOQC NSF Completions		92	88	74	79	103	82	84	92	122	106	131	136	1,189	99
FY 19-20 TOQC NSF Completions		135	129	151	128	108	135	120	123	120	135	144	161	1,589	132

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 168 new home sales close in the month of June with an average sales price of \$423K for these homes. The following table shows the monthly closings by builder, average sale price and estimated gross revenue for the month of June.

BUILDER	# CLOSINGS	AVG. SALE PRICE	EST. GROSS REVENUE
WILLIAM LYON HOMES	38	\$ 397,741	\$ 15,114,149
RICHMOND AMERICAN	27	\$ 339,037	\$ 9,153,993
FULTON HOMES	22	\$ 417,578	\$ 9,186,722
TAYLOR MORRISON	18	\$ 381,315	\$ 6,863,663
LENNAR HOMES	17	\$ 441,914	\$ 7,512,535
CRESLEIGH HOMES	10	\$ 348,896	\$ 3,488,962
TOLL BROTHERS	9	\$ 740,269	\$ 6,662,421
SHEA HOMES	8	\$ 412,175	\$ 3,297,400
MISC CUSTOM	5	\$ 646,800	\$ 3,234,000
WOODSIDE HOMES	4	\$ 397,245	\$ 1,588,978
ASHTON WOODS HOMES	3	\$ 377,990	\$ 1,133,970
MARACAY HOMES	3	\$ 619,578	\$ 1,858,735
DIAMANTE HOMES	1	\$ 514,900	\$ 514,900
ELLIOTT HOMES	1	\$ 526,860	\$ 526,860
GEHAN HOMES	1	\$ 475,000	\$ 475,000
PROVIDENCE HOMES	1	\$ 498,106	\$ 498,106
GRAND TOTAL	168	\$ 423,276	\$ 71,110,394

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.

June 2020 Actuals: \$1.7M

FY 19-20 YTD Actuals: \$17.6M

FY 19-20 YTD Revised Budget to Actual Variance of \$1.5M or 9%

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$3.7M or 27%

FY 19-20 YTD collections in the retail category exceeded the FY 19-20 revised 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 June, the top 20 payers of 2,835 total payers in the retail category delivered 68% of the revenue. The top 10 payers in the category account for 57% of the total. The retail sector performed strongly in June despite the continued impacts of the COVID-19 pandemic.

COMMUNICATIONS/UTILITIES:

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

June 2020 Actuals: \$199K

FY 19-20 YTD Actuals: \$1.9M

FY 19-20 YTD Revised Budget to Actual Variance of \$108K or 6%

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$264K or 16%

Year-to-date collections in the communications/utilities category are higher than the revised FY 19-20 budget and prior year collections due to higher-than-average temperatures and a less-active monsoon season through September 2019. Further impacts in this category can be attributed to an increasing population. Both of these have caused higher energy consumption 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.

June 2020 Actuals: \$336K

FY 19-20 YTD Actuals: \$3.6M

FY 19-20 YTD Revised Budget to Actual Variance of \$(810K) or (18%)

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$367K or 11%

This category is below the current year revised budget, but exceeding previous year actual collections. Performance in this category has been impacted recently due to the continued impacts of the COVID-19 pandemic, which required many restaurant and bar establishments to limit restaurant capacity or only provide takeout, delivery, and drive-thru services.

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.

June 2020 Actuals: \$175K

FY 19-20 YTD Actuals: \$2.0M

FY 19-20 YTD Revised Budget to Actual Variance of \$34K or 2%

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$78K or 4%

Collections for this category are in line with the revised budget and slightly higher than 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.

June 2020 Actuals: \$162K

FY 19-20 YTD Actuals: \$1.6M

FY 19-20 YTD Revised Budget to Actual Variance of \$23K or 2%

FY 19-20 YTD Actual to FY 18-19 YTD Actual Increase of \$87K or 6%

This category is in line with the current year revised budget and above the previous year actual collections.

ATTACHMENT 1:

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

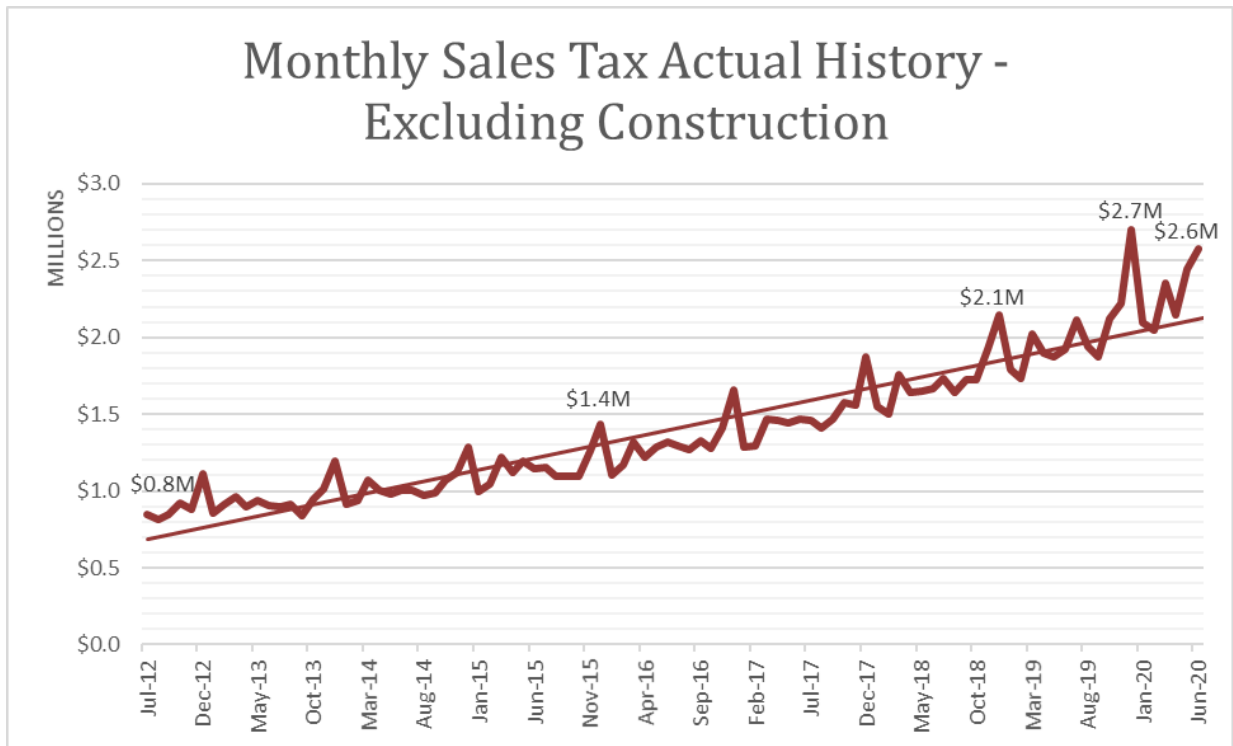
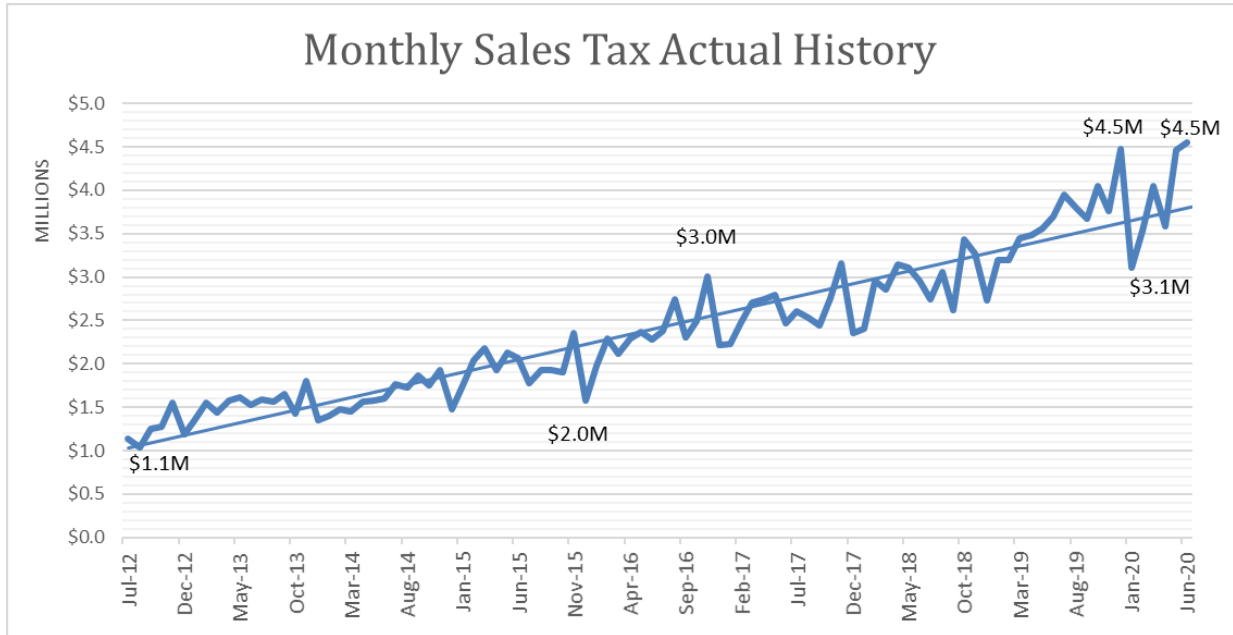
Sales Tax Rate Components					
Queen Creek Rate		Queen Creek Special District Rate (Town Center)		Construction Contracting Rate	
General Fund	2.00%	General Fund	2.00%	General Fund	2.00%
EMS	0.25%	EMS	0.25%	EMS	0.25%
		Town Center	0.25%	Construction Fund	2.00%
Total Rate	2.25%	Total Rate	2.50%	Total Rate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

Revenue by Fund	YTD	% of Total
General Fund	\$ 32,616,617	69.4%
EMS Fund	4,077,077	8.7%
Town Center Fund	721,950	1.5%
Construction Fund	9,571,850	20.4%
Totals	\$ 46,987,494	100.0%

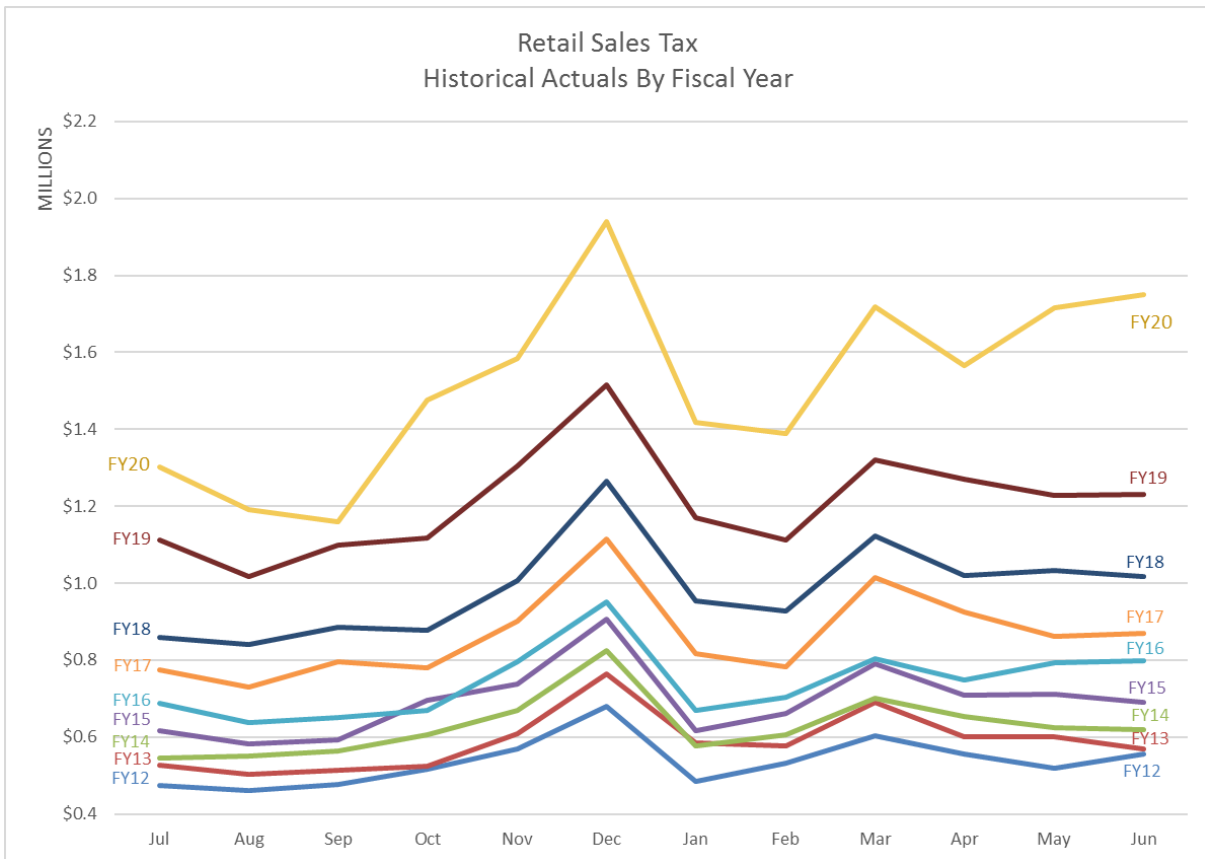
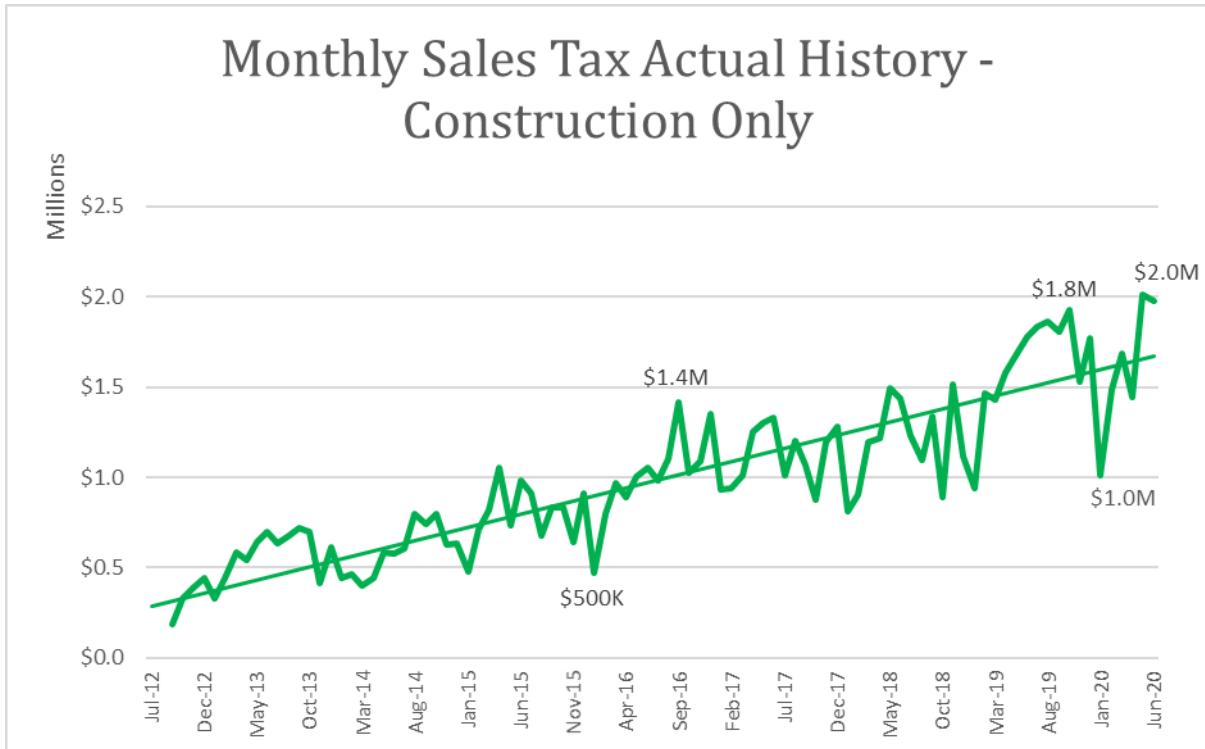
Operating Budget	Jul	Aug	Sept	Oct	Nov	Dec
General Fund	\$ 2,687,713	\$ 2,559,558	\$ 2,468,183	\$ 2,753,033	\$ 2,626,988	\$ 3,162,402
EMS Fund	\$ 335,964	319,945	308,523	344,129	328,374	\$ 395,300
Total Operating Budget	\$ 3,023,679	\$ 2,879,502	\$ 2,776,706	\$ 3,097,162	\$ 2,955,362	\$ 3,557,703

Operating Budget	Jan	Feb	Mar	Apr	May	June	FY19-20 YTD
General Fund	\$ 2,295,607	\$ 2,451,054	\$ 2,844,001	\$ 2,556,032	\$ 3,063,405	\$ 3,148,642	\$ 32,616,617
EMS Fund	286,951	\$ 306,382	\$ 355,500	\$ 319,504	\$ 382,926	\$ 393,580	\$ 4,077,077
Total Operating Budget	\$ 2,582,558	\$ 2,757,436	\$ 3,199,501	\$ 2,875,536	\$ 3,446,331	\$ 3,542,222	\$ 36,693,695

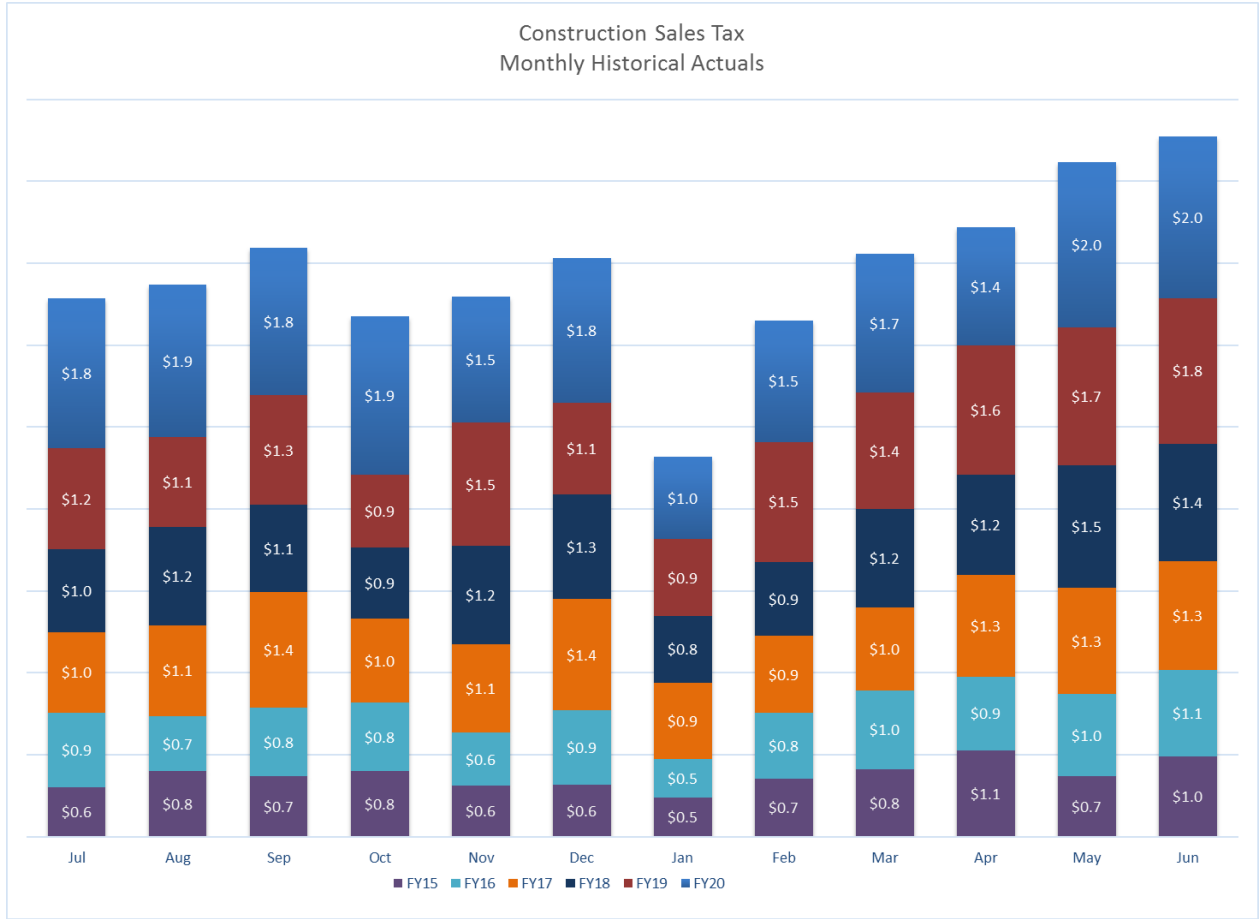
Historical Performance



Appendix 1: Queen Creek Monthly Sales Tax Report



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

Appendix 1: Queen Creek Monthly Sales Tax Report

TAX RATE CATEGORIES

Town-wide Queen Creek Sales Tax Rates:

CITY/TOWN NAME	REGION CODE	BUSINESS CODE	TAX RATE	COUNTY
QUEEN CREEK	QC			MAR/PNL
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%	
Restaurants and Bars		011	2.25%	
Retail Sales		017	2.25%	
Retail Sales Food for Home		062	2.25%	
MARRA 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%	
Retail Sales for Remote Sellers		605	2.25%	
Retail Sales Food for Home Consumption Remote Sellers		606	2.25%	

Queen Creek Special District Tax Rates (Town Center):

CITY/TOWN NAME	REGION CODE	BUSINESS CODE	TAX RATE	COUNTY
QUEEN CREEK SPECIAL DISTRICT	QD			MAR
Amusements		012	2.50%	
Job Printing		010	2.50%	
Publication		009	2.50%	
Hotels		044	2.50%	
Restaurant and Bars		011	2.50%	
Retail Sales		017	2.50%	
Retail Sales for Food for Home Consumption		062	2.50%	
MARRA Amount		315	2.50%	
Communications		005	2.50%	
Utilities		004	2.50%	
Retail Sales for Remote Sellers		605	2.50%	
Retail Sales Food for Home Consumption Remote Sellers		606	2.50%	