



TOWN OF  
**QUEEN CREEK**  
ARIZONA

# FY 20-21 Year to Date Financial Report

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Operating Budget to Actual Performance  
Fiscal Year to Date through May 2021

Issued July 8, 2021

## ***Executive Summary***

The Town's fiscal year 2020-21 budget-to-actual performance through May continues to show favorable variances for both revenues and expenses. Actual revenues performed well with receipts exceeding expectations by \$8.1M, or 11%. This is the result of Sales Tax, Construction Sales Tax, and Building/Engineering Revenues all continuing to perform better than expected due to strong residential and commercial growth. While staff expected this growth to slow due to the impact of the COVID-19 pandemic, actual development activity in the Town has accelerated. The fiscal year 2020-21 budget projected 700 single-family permits for the entire fiscal year, but the Town has already issued 2,046 permits through May. Additionally, average monthly home closings are currently running 13% higher than the prior year.

Total expenses through April are \$3.4M or 7% less than budget. The favorable variance is driven by savings in personnel costs due to vacancies, and by savings in streets maintenance due to a recent budget adjustment in the HURF Fund that allocated more funding for additional projects. Other savings are showing in utility costs (power/water/gas), software, and MCSO contractual services.

The revised Operating Budget anticipated that revenues would exceed expenses by \$27.3M by the end of May 2021. However, actual results are better than expected resulting in year-to-date revenues exceeding expenses by \$38.8M, an improvement of \$11.5M.

Because the Town's operating results have been favorable since the beginning of the year, staff revised revenue estimates for fiscal year 2020-21 in conjunction with preparing revenue forecasts for the FY 2021-22 budget adoption cycle. These adjustments were presented to the Town Council in February and are reflected in the Revised Budget amounts of this report. The Revised Budget also includes expenditure budget adjustments that have been approved by the Town Council throughout the year. The Town maintains healthy reserves and has contingencies built into the budget that can provide flexibility as needs arise. Staff will continue to monitor our local, regional, and national economies regularly and provide updates as more data becomes available.

Finally, with the fiscal year ending June 30<sup>th</sup> the monthly report for June will not be available until September 2021 after the Town's annual audit is substantially complete.

## Operating Budget

The Operating Budget includes the Town's activity from the General, Streets (HURF), Emergency Services and Horseshoe Park Equestrian Center Funds. The schedule below is a summary of the FY 20-21 Operating Budget. The current budget estimates that revenues will exceed expenses by \$24.2M for the year, with additional amounts being transferred out to other funds to cover the non-growth share of debt payments and capital improvements.

The budget numbers in this month's report reflect adjustments recently approved by the Town Council, including an increase to Operating Budget revenues and expenditures of \$25.1M and \$3.5M, respectively. Other budget adjustments in prior months have taken \$3.9M from contingency funds to provide budget authority for police vehicle expenditures, business assistance grants, and contract services for plan reviews and building inspections. The revised budget anticipates the Town will add \$20.3M to fund balance, all of which will be used to fund the Town's operating and pension reserves as shown below.

The ending fund balance is expected to be \$77.0M, of which \$43.3M is reserved for pension funding and \$22.5M is reserved for the Town's 25% reserve policy. The amounts shown below in the Police Services and COVID-19 reserves may change if the Town Council chooses to use these funds during the fiscal year.

### Summary FY 20-21 Operating Budget

	FY 20-21 Total Adopted Budget	FY 20-21 Total Revised Budget	FY 20-21 Year-to-Date Budget	FY 20-21 Year-to-Date Actual
Revenues	\$ 63,588,037	\$ 88,737,493	\$ 77,180,899	\$ 85,332,082
Expenses	55,621,256	64,586,406	49,922,248	46,494,428
Operating Results	\$ 7,966,781	\$ 24,151,087	\$ 27,258,652	\$ 38,837,654
Transfers In:				
AZCares Grant Funds	\$ -	\$ 5,842,506	\$ 5,842,506	\$ 5,842,506
Transfers Out:				
Events/Grants Match/Other	25,000	25,000	-	-
Debt Service	6,457,677	6,243,710	-	-
CIP	3,377,700	3,377,700	-	-
Net Transfers In (Out)	\$ (9,860,377)	\$ (3,803,904)	\$ 5,842,506	\$ 5,842,506
Net Operating Results	\$ (1,893,596)	\$ 20,347,183	\$ 33,101,158	\$ 44,680,160
Beginning Fund Balance	\$ 46,656,233	\$ 56,608,528		
Ending Fund Balance	\$ 44,762,637	\$ 76,955,711		
25% Revenue Reserve	\$ 16,857,700	\$ 22,455,913		
Police Services Reserve	4,500,000	113,099		
COVID-19 Reserve	4,770,623	11,060,087		
MSCO Unfunded Pension Liability Reserve	18,634,314	25,232,142		
ASRS Unfunded Pension Liability Reserve	-	18,094,470		
Available Fund Balance	-	-		
Total Fund Balance	\$ 44,762,637	\$ 76,955,711		

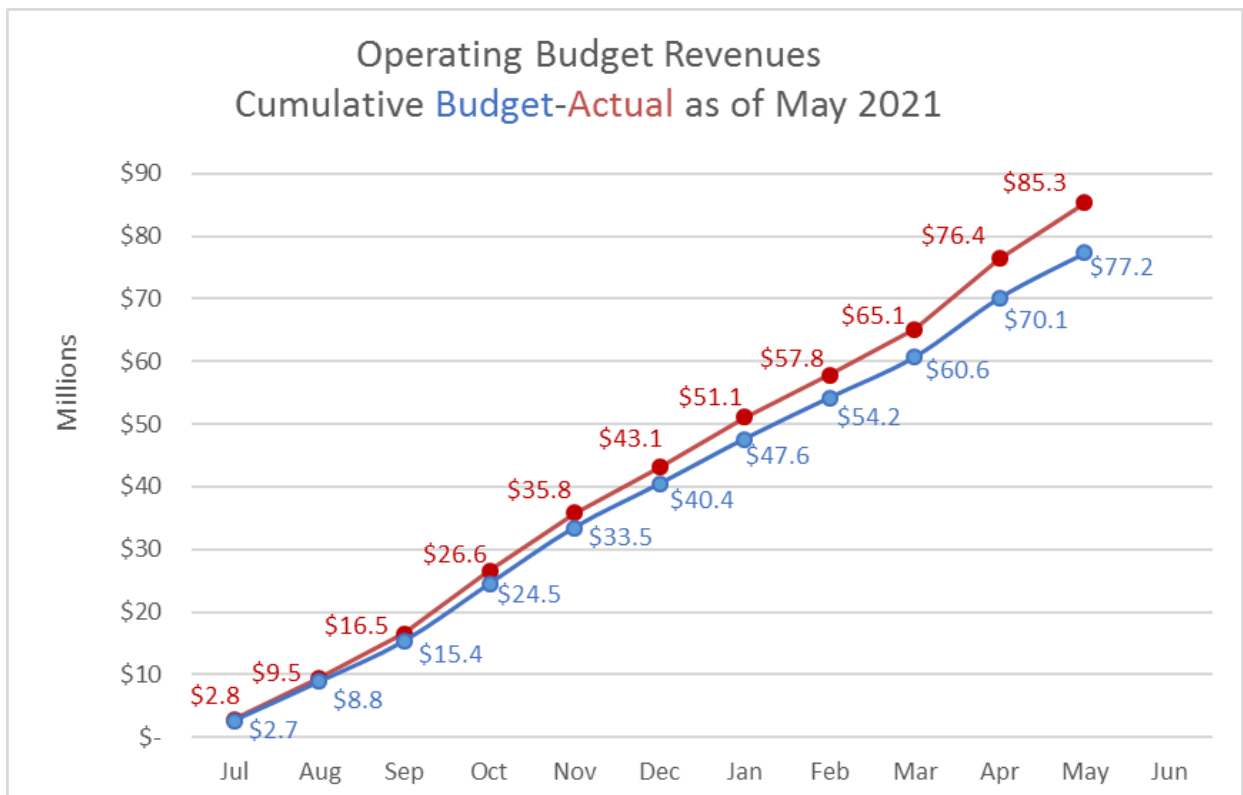
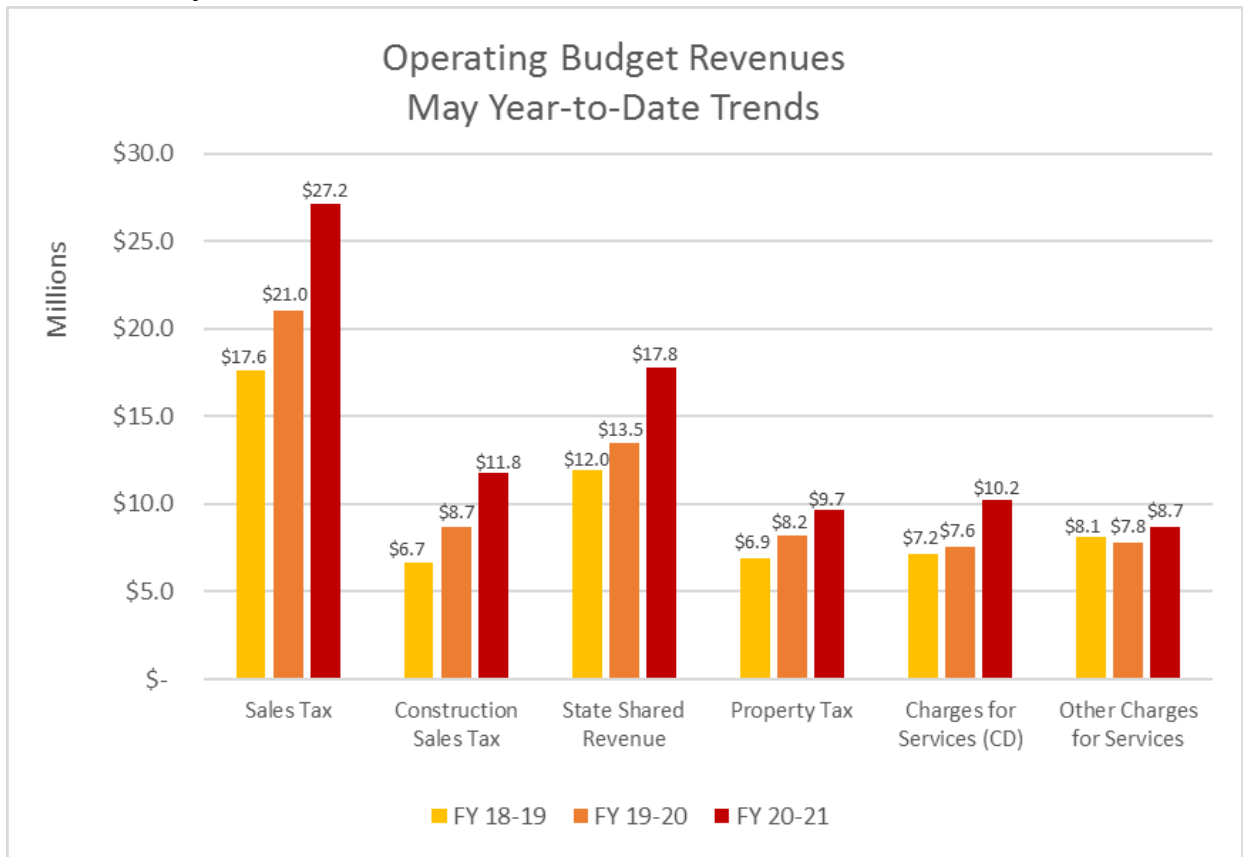
The remainder of this report focuses on revenues and expenses only. It does not include transfers, debt service, or infrastructure funding transfers.

**May 2021 Year-to-Date Results**

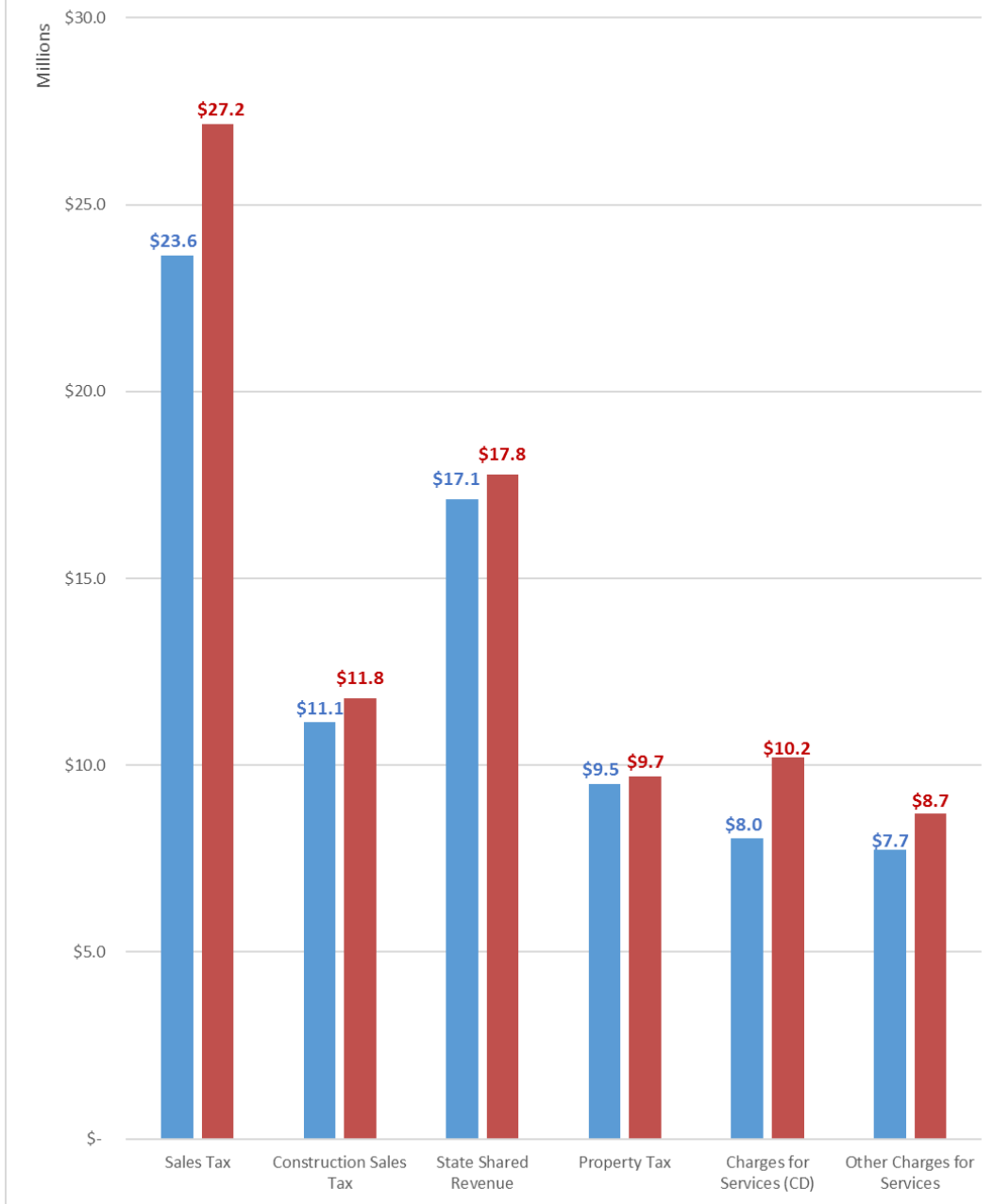
	<u>YTD</u>	<u>YTD</u>	<u>\$ Variance</u>	<u>% Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	
<b>Revenues</b>				
Sales Tax	\$ 23,644,769	\$ 27,156,340	\$ 3,511,571	15%
Construction Sales Tax	11,143,120	11,797,810	654,690	6%
State Shared Revenue	17,124,313	17,777,127	652,814	4%
Property Tax	9,488,170	9,689,810	201,640	2%
Charges for Services (CD)*	8,041,873	10,196,049	2,154,176	27%
Other Charges for Services	7,738,654	8,714,945	976,291	13%
<b>Total Revenues</b>	<b>\$ 77,180,899</b>	<b>\$ 85,332,082</b>	<b>\$ 8,151,182</b>	<b>11%</b>
<b>Expenditures</b>				
Salaries & Benefits	\$ 26,728,977	\$ 25,211,371	\$ 1,517,606	6%
Supplies & Services	14,491,941	13,113,151	1,378,790	10%
Maricopa County Sheriff	7,147,141	6,771,591	375,550	5%
Capital Outlay	1,554,188	1,398,315	155,874	10%
<b>Total Expenditures</b>	<b>\$ 49,922,248</b>	<b>\$ 46,494,428</b>	<b>\$ 3,427,820</b>	<b>7%</b>

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

## Revenue Analysis



**Operating Revenue FYTD May: +\$8.1M (+11%)**  
**\$77.2M FY20-21 Budget to \$85.3M FY20-21 Actual**



Overall, actual revenues are showing an 11% favorable variance compared to the revised budget. The variances of the Revenue Categories are explained below.

## **Sales Tax**

Sales tax revenue through May 2021 is \$3.5M or 15% above budget, even after adjusting for revised revenue estimates. Since April 2020, sales tax revenues have exceeded the original estimates in spite of the uncertainty surrounding the COVID-19 pandemic. This sales tax growth was not anticipated when the fiscal year 2020-21 budget was developed; in fact, sales tax revenue was projected to decrease 24%. Some of this positive performance is attributed to more individuals shopping closer to home because they are working from home, growth in e-commerce from more residents shopping online rather than at stores in other cities, recent legislation requiring sales tax on e-commerce, and new businesses that continue to open in Queen Creek. Please refer to the Sales Tax Report (Appendix 1) for additional information on sales tax activity.

## **Construction Sales Tax**

Construction sales tax revenue to date is \$655K or 6% above the revised budget, reflecting strong residential construction activity. The fiscal year 2020-21 budget was developed with an expectation that the COVID-19 pandemic would sharply reduce demand for new homes. This reduction never materialized; in fact, new home construction has accelerated since April 2020 and continues to show strong demand. In the past twelve months, the Town has averaged 146 single-family home closings per month, compared to 129 for the previous 12-month period, an increase of 17 homes or 13% per month. Please refer to the Sales Tax Report (Appendix 1) for additional information on construction sales tax activity.

## **State-Shared Revenue**

State-Shared Revenue is currently \$653K or 4% above the revised budget. The State of Arizona as a whole is seeing better-than-expected performance in sales tax activity and HURF revenue. When combined with Queen Creek's population growth, this has increased the Town's share of state tax distributions.

## **Property Tax**

Property tax revenue is currently \$202K or 2% above budget. The Town receives the majority of its property tax distributions in October and November, and the remainder in April and May, due to Arizona's statutes that allow property owners to pay their annual property taxes in two installments.

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

Charges for Services (CD) accounts for planning, engineering and building permit revenues. Year-to-date CD Revenue is favorable by \$2.2M or 27%, as presented in the following schedule:

### **May 2021 YTD Community Development Detailed Revenues**

Charges for Services (CD)	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Planning Revenue	\$ 110,764	\$ 230,390	\$ 119,626	108%
Engineering Revenue	745,916	1,588,944	843,029	113%
Building Permit Revenue	<u>7,185,194</u>	<u>8,376,715</u>	<u>1,191,521</u>	<u>17%</u>
Total Charges for Services (CD)	\$ 8,041,873	\$ 10,196,049	\$ 2,154,176	27%

Similar to construction sales tax, CD revenue is tied to new and proposed development activity in the town for new subdivisions, commercial developments, and annexations. The fiscal year 2020-21 budget projected a 26% decrease in revenue from this activity and only 700 new single-family permits for the entire fiscal year. However, development activity since the onset of the COVID-19 pandemic has increased significantly, with 2,046 single-family permits issued to date this fiscal year.

### **Other Charges for Services**

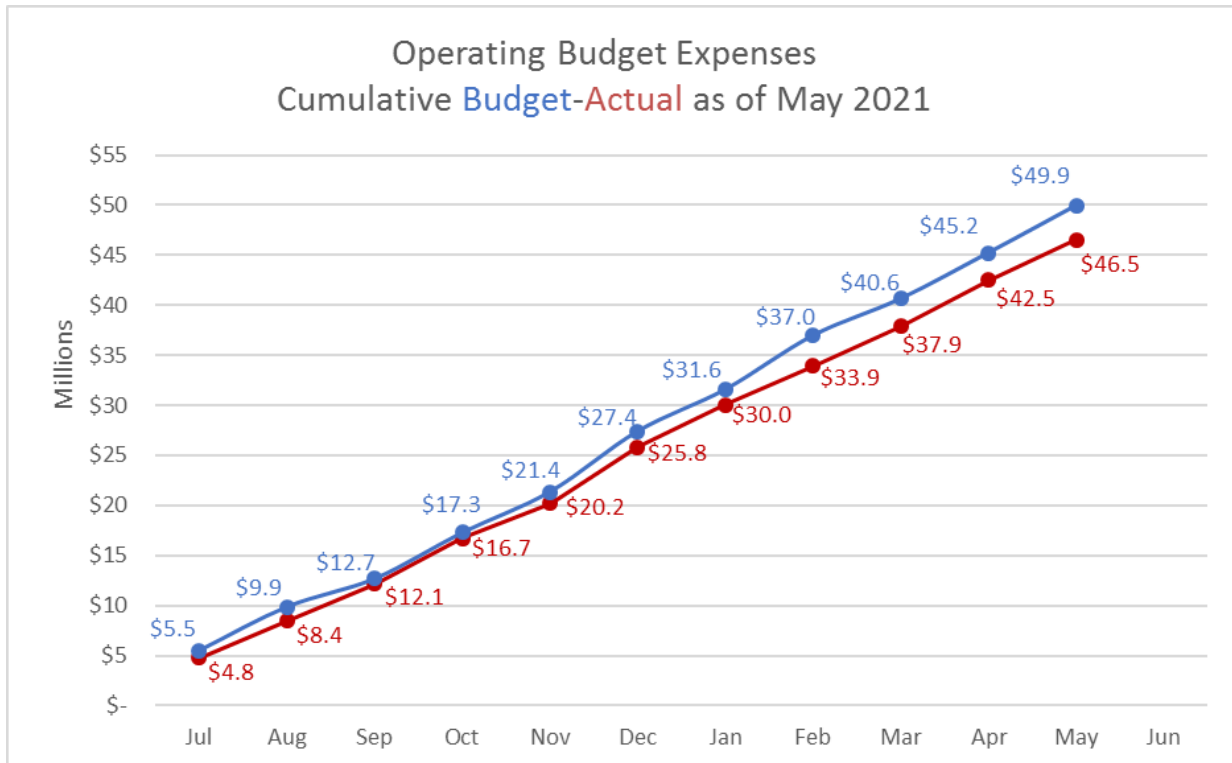
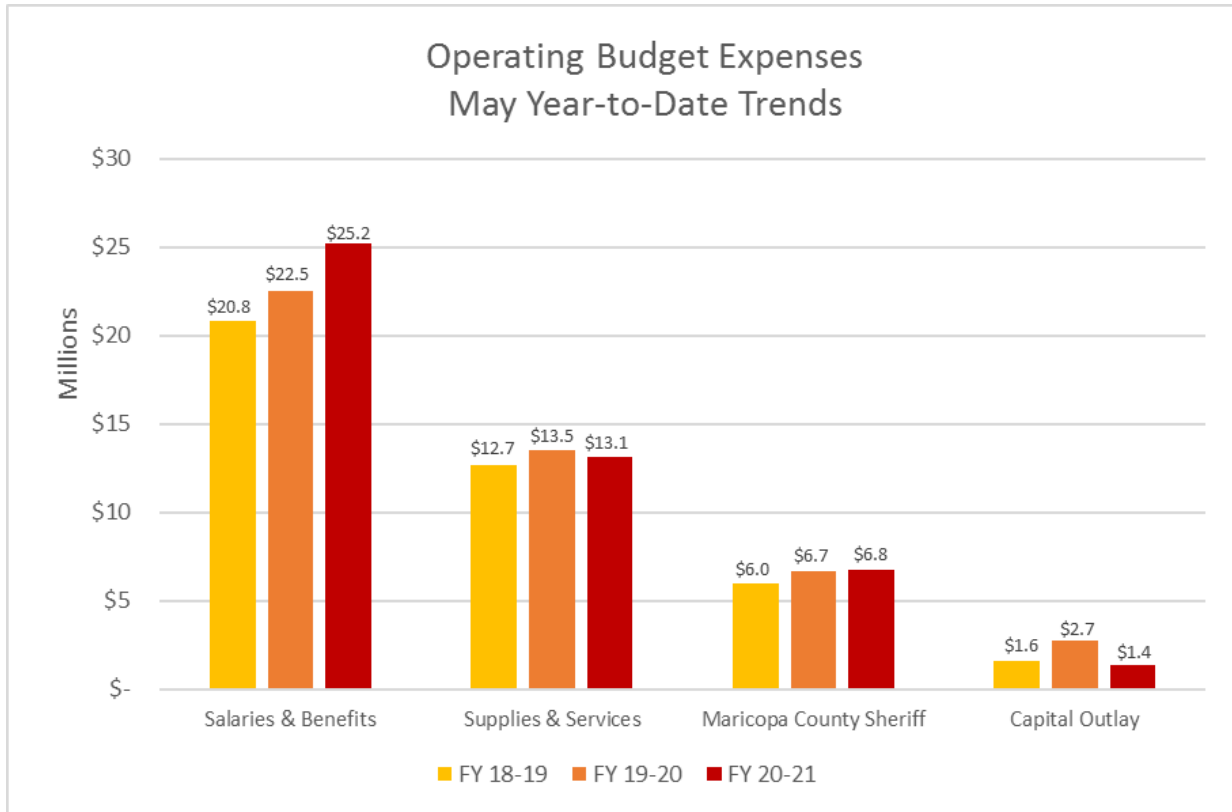
Other Charges for Services is comprised of a number of different sources and is currently showing a \$976K or 13% positive variance. The largest revenue group in this category is Utility ROI and Utility Franchise Fees from the Town's Water and Sewer utility operations, which together account for \$2.9M or 33% of the Other revenue category. Departmental Support Revenue accounts for an additional \$1.6M or 18% of the total revenue in this category. Additionally, this spring has seen strong demand for both Recreation and HPEC services, in contrast to the expectations that these activities would be limited and sparse due to the COVID-19 pandemic. Year-to-date revenues for Recreation are \$322K or 100% above budget, mostly in rental fees at Mansel Carter and Desert Mountain parks. HPEC revenues are \$324K or 79% above budget, with the majority of revenue-producing activity coming from stall rentals, bedding/shavings sales, and overnight RV parking fees.

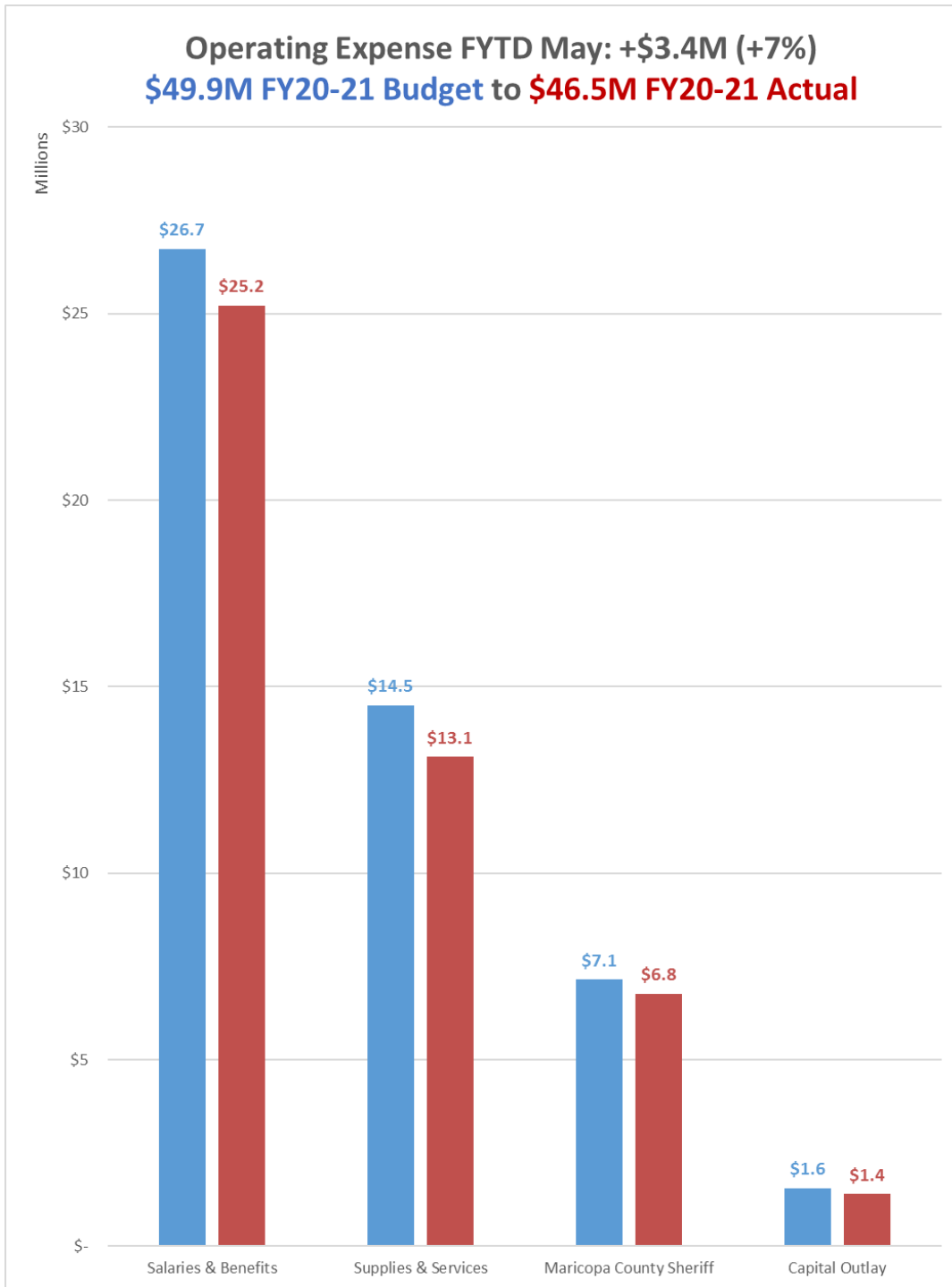
### **Revenue Budget Adjustments**

In light of the Town's strong economic performance, staff revised revenue estimates for the current fiscal year 2020-21 and presented those revisions to the Town Council on February 3, 2021 for approval. These adjustments are included in the budget numbers of this report.



## Expense Analysis





The year-to-date expenditures for fiscal year 2020-21 reflect a favorable variance of \$3.4M or 7%. The variances of the Expenditure Categories are explained below.

### **Salaries and Benefits**

Salaries and Benefits expenses are \$1.5M or 6% below budget. This variance is partially due to positions that have become vacant since the beginning of the fiscal year. As they happen, vacancies are evaluated on a case-by-case basis to determine if the position needs to be filled right away or if the Town can delay hiring a replacement. At the end of May, the Town had 11 vacancies related to staff turnover.

Additionally, the fiscal year 2020-21 budget included funding for seven positions related to the new police department that were expected to be filled by October 1<sup>st</sup> (two police lieutenants, one police administrative assistant, three IT support positions, and one fleet mechanic). Of these positions, one was not filled until November, three were not filled until December, two were filled in March and April, and one remains unfilled. Finally, in February the Town Council approved the hiring of two police sergeants this fiscal year to assist with the police recruitment process, both of which were filled by the end of May.

### **Supplies and Services**

Supplies and Services expenses are currently \$1.4M or 10% below budget. Most of this savings is due to a \$1.4M mid-year budget adjustment to Streets Maintenance and Repair in the HURF Fund. Public Works staff has issued project orders to encumber these additional funds and work was underway by the end of May. Other savings in utilities (power/water/gas), software, and employee training costs are offsetting higher-than-expected costs of fire apparatus repairs, legal services, and liability insurance. This category also includes the Town's new business assistance program that through May had paid \$521K in grants to local businesses to support their efforts to combat the COVID-19 pandemic.

### **Maricopa County Sheriff**

Maricopa County Sheriff costs have a favorable variance of \$376K or 5%. The MCSO budget for fiscal year 2020-21 already included an estimate of personnel vacancies for which the Town receives a credit on a regular basis. These credits have been slightly higher than expected.

### **Capital Outlay**

Capital Outlay expenses currently show a favorable variance of \$156K or 10%. The budgets in this category are for one-time purchases related to major equipment and special projects. Of the total capital spending so far this year, \$1.1M has been for police vehicles. This year vendors are experiencing supply-chain issues due to the COVID-19 pandemic, which means some purchase orders may need to be carried forward into fiscal year 2021-22 if items are not received by June 30, 2021.



TOWN OF  
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# FY 20-21 Year to Date Sales Tax Report

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FY 20-21 Business Activity through April 2021\*

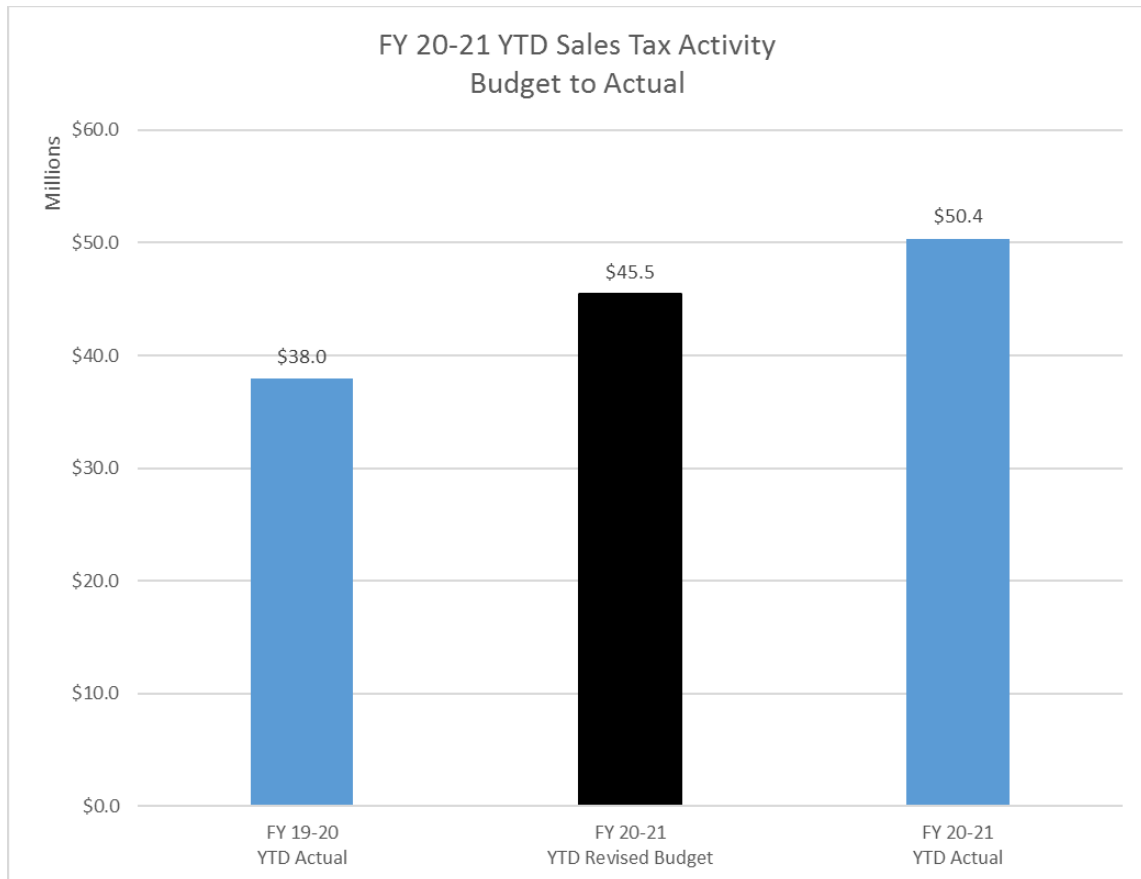
Issued June 2021

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.

## YEAR-TO-DATE FY 20-21 SALES TAX ACTIVITY

### OVERALL PERFORMANCE SUMMARY:

The April 2021 sales tax revenue year-to-date total of \$50.4M exceeds the revised budget by 11%, or \$4.9M. Relative to the same period in FY 19-20, FY 20-21 actuals are 33%, or \$12.4M higher than the previous year.



Sales Category	FY 19-20 YTD Actual	FY 20-21 YTD Revised Budget-To-Actual				FY 19-20 YTD Actual to FY 20-21 YTD Actual	
		FY 20-21 YTD Revised Budget	FY 20-21 YTD Actual	\$ Variance	% Variance	\$ Increase	% Increase
Construction	\$ 16,353,601	\$ 21,048,115	\$ 22,284,753	\$ 1,236,638	6%	\$ 5,931,152	36%
Retail Trade	\$ 14,243,939	16,186,585	18,879,523	2,692,938	17%	4,635,584	33%
Communications & Utilities	\$ 1,571,507	2,092,499	1,679,909	(412,590)	(20%)	108,401	7%
Restaurant & Bar	\$ 2,916,349	3,176,828	3,740,866	564,038	18%	824,517	28%
Real Estate, Rental & Leasing	\$ 1,623,280	1,675,205	1,840,487	165,282	10%	217,206	13%
All Others**	\$ 1,270,181	1,281,702	1,960,379	678,677	53%	690,199	54%
<b>Totals</b>	<b>\$ 37,978,858</b>	<b>\$ 45,460,934</b>	<b>\$ 50,385,916</b>	<b>\$ 4,924,982</b>	<b>11%</b>	<b>\$ 12,407,059</b>	<b>33%</b>

\*\*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

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Town of Queen Creek sales tax collections are positively impacted by the high incomes of Town households. Per the 2019 American Communities Supplemental Survey data provided by the US Census, Queen Creek's median household income is \$105,729, 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 18-19, about 27% of sales tax collections in the retail category and about 50% in the restaurant and bar category are from non-Queen Creek resident spending in the Town.

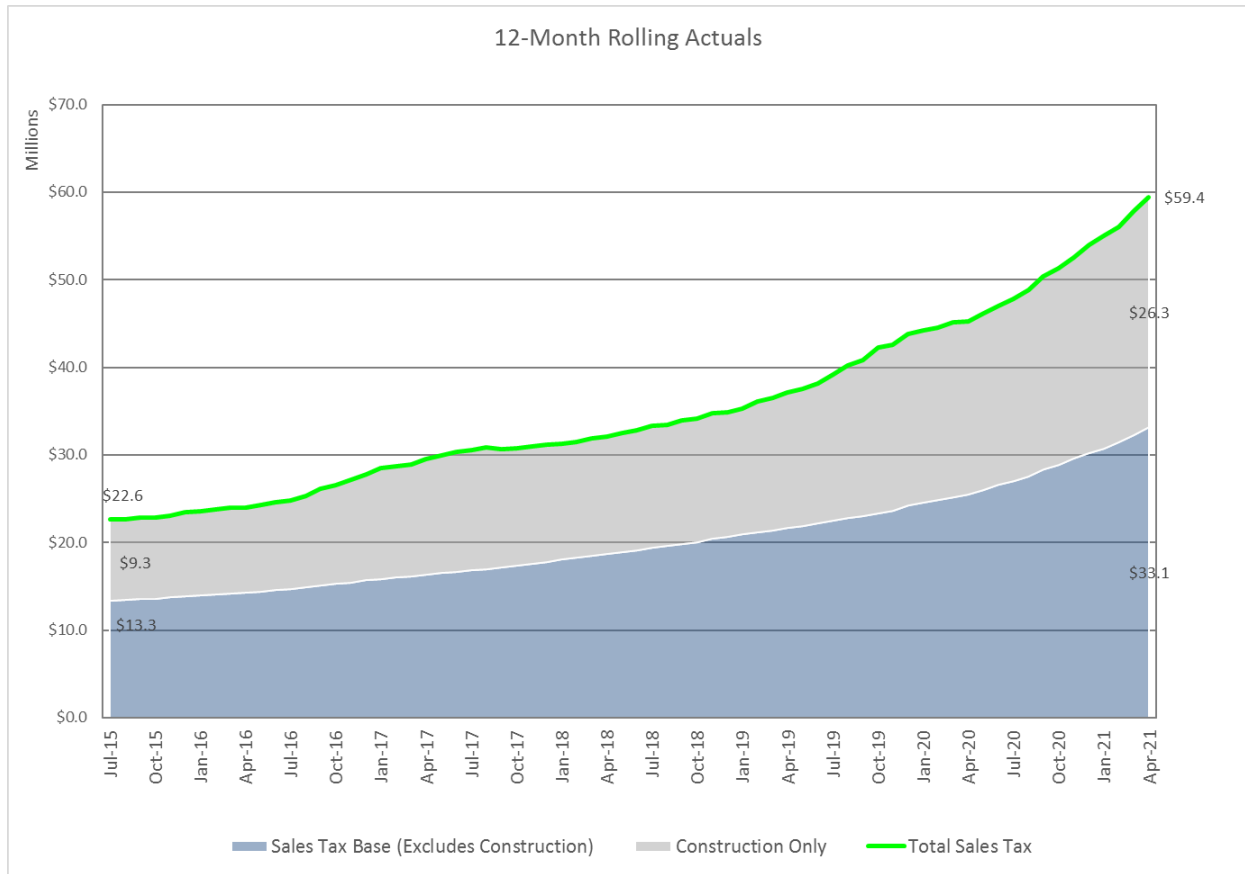
At the onset of the COVID-19 pandemic, the Town's Budget department projected that sales tax revenues in a majority of the sales tax categories would experience declines from March 2020 through June 2020, at which point sales tax revenues would reach their lowest point. The highest declines were projected in the retail, restaurant and bar, and arts and entertainment categories. Additionally, the FY 20-21 adopted budget assumed that businesses within the Town would begin to see incremental improvements in their sales tax collections from July 2020 through approximately March 2021, at which point sales tax revenues would be recovered to approximately the same levels as at the end of FY 18-19. After strong performance throughout the first half of FY21, the sales tax revenue budget was revised to more closely reflect current levels of sales tax revenue collections in February 2021.

April sales tax collections in FY 20-21 were higher than in FY 19-20. The strong levels of sales tax collections can be attributed to the removal of COVID-19 restrictions on business operations, continuing growth in population due to development both within the Town and in surrounding areas, more individuals shopping closer to home, new businesses continuing to open, strong construction activity, and the Town's ability to collect sales taxes on e-commerce transactions.

## 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.

## Appendix 1: Queen Creek Monthly Sales Tax Report



## 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.

**April 2021 Actuals: \$2.2M**

**FY 20-21 YTD Actuals: \$22.3M**

**FY 20-21 YTD Revised Budget to Actual Variance of \$1.2K or 6%**

**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$5.9M or 36%**

FY 20-21 collections exceed the FY 20-21 revised budget and the prior fiscal year actuals through April activity. The FY 20-21 revised budget included increases to construction sales tax collections due to construction activity in the town matching or outperforming prior years.

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 April. Sales tax paid by homebuilders ties to the sale of a new home, which is dependent on permit completions. The following schedule and graphs display new single-family home

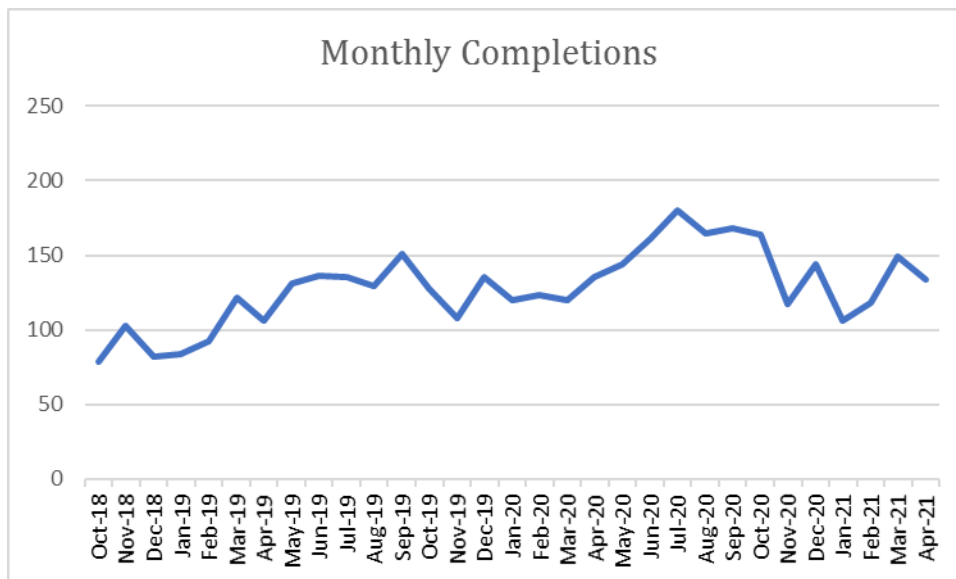
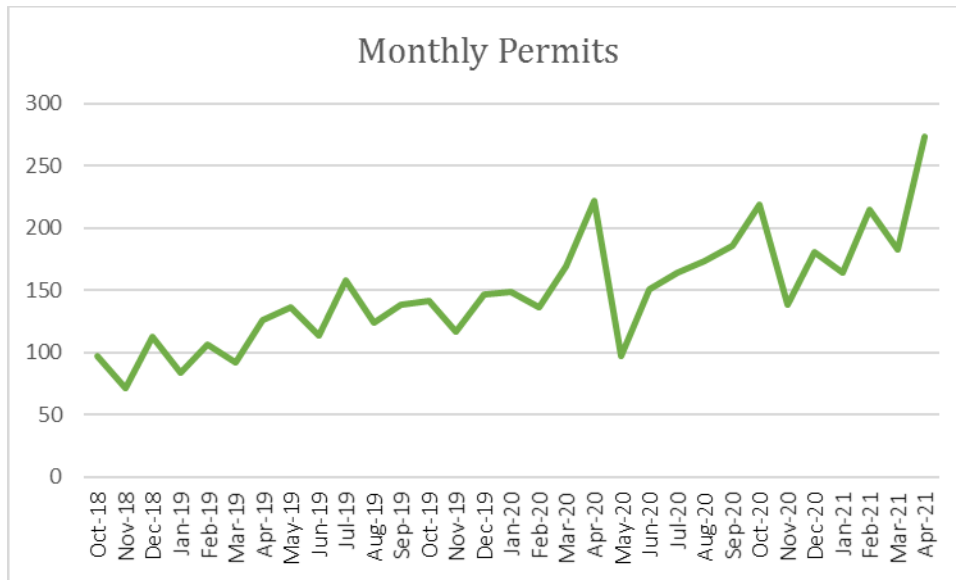
## Appendix 1: Queen Creek Monthly Sales Tax Report

(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		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total	Mo. Avg.
FY 19-20 TOQC NSF Permits Issued		136	114	158	124	138	142	117	147	149	136	169	222	1,752	146
FY 20-21 TOQC NSF Permits Issued		97	151	164	173	186	219	138	181	164	215	183	274	2,145	179

12-Month Rolling NSF Home Completions		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total	Mo. Avg.
FY 19-20 TOQC NSF Completions		131	136	135	129	151	128	108	135	120	123	120	135	1,551	129
FY 20-21 TOQC NSF Completions		144	161	180	165	168	164	117	144	106	118	149	134	1,750	146



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 134 new home sales close in the month of April with an average sales price of \$570K for these homes. Overall, the Town made up 8.8% of total NSF permits issued in Maricopa County in April. The following table shows the monthly closings by builder, average sale price and estimated gross revenue for the month of April for permits issued within the Town.



## Appendix 1: Queen Creek Monthly Sales Tax Report

BUILDER	# CLOSINGS	AVG. SALE PRICE	EST. GROSS REVENUE
RICHMOND AMERICAN	19	\$ 493,868	\$ 9,383,496
ASHTON WOODS HOMES	17	\$ 554,801	\$ 9,431,615
TAYLOR MORRISON	17	\$ 464,062	\$ 7,889,050
LENNAR HOMES	15	\$ 372,787	\$ 5,591,800
PULTE HOMES	9	\$ 404,763	\$ 3,642,867
WILLIAM LYON HOMES	8	\$ 361,789	\$ 2,894,314
SHEA HOMES	6	\$ 476,853	\$ 2,861,116
GEHAN HOMES	5	\$ 426,330	\$ 2,131,651
DAVID WEEKLEY HOMES	5	\$ 591,510	\$ 2,957,551
CRESLEIGH HOMES	5	\$ 372,858	\$ 1,864,289
PROVIDENCE HOMES	5	\$ 507,132	\$ 2,535,660
LUXE HOMES	4	\$ 724,907	\$ 2,899,629
TOLL BROTHERS	4	\$ 740,956	\$ 2,963,825
MARACAY HOMES	3	\$ 666,722	\$ 2,000,167
LANDSEA HOMES	3	\$ 389,270	\$ 1,167,810
BEAZER HOMES	2	\$ 475,834	\$ 951,667
MISC CUSTOM	2	\$ 965,000	\$ 1,930,000
ELLIOTT HOMES	2	\$ 643,980	\$ 1,287,960
VIP HOMES	2	\$ 843,262	\$ 1,686,524
ALC BUILDERS	1	\$ 870,000	\$ 870,000
<b>GRAND TOTAL</b>	<b>134</b>	<b>\$ 567,334</b>	<b>\$ 66,940,991</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.

**April 2021 Actuals: \$2.0M**

**FY 20-21 YTD Actuals: \$18.9M**

**FY 20-21 YTD Revised Budget to Actual Variance of \$2.7M or 17%**

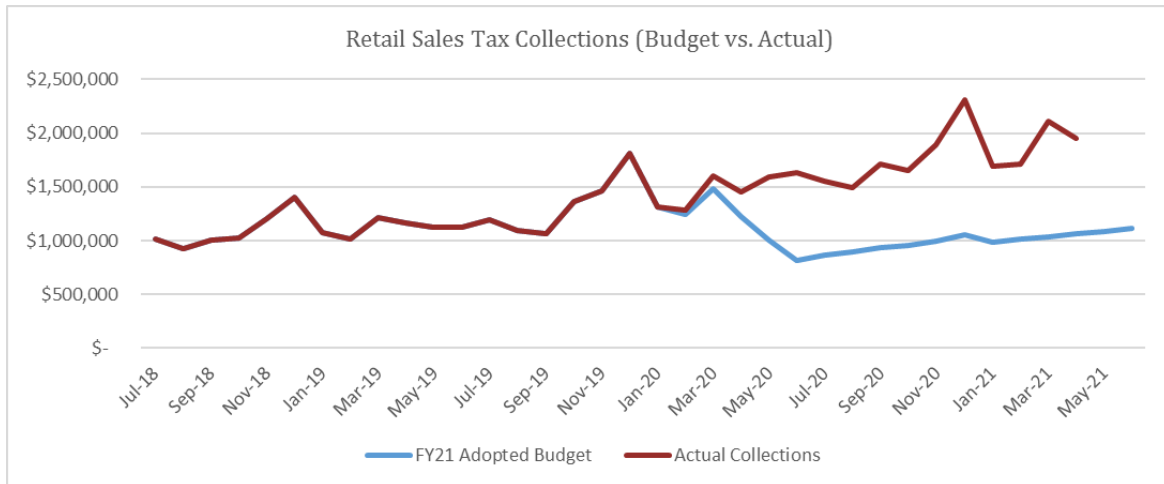
**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$4.6M or 33%**

FY 20-21 YTD collections in the retail category exceeded the FY 20-21 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 April, the top 20 payers of 3,393 total payers in the retail category delivered 67% of the revenue. The top 10 payers in the category account for 57% of the total.

Of the total retail sales tax collections in April, \$288K is estimated to come from e-commerce transactions. April 2021 e-commerce sales tax collections are 31% higher than collections in April 2020. This growth can be attributed to an increase in e-commerce reporters due increased compliance with the Wayfair legislation passed in October 2019, as well as an increase in e-commerce sales due to the pandemic.

The adopted FY 20-21 budget accounted for a sharp decrease in retail activity due to the COVID-19 pandemic, though retail activity through April 2021 has continued at a level matching or exceeding pre-pandemic levels. As seen in the graph below, actual retail sales tax collections each month have come in higher than initially anticipated at the start of the pandemic.

## Appendix 1: Queen Creek Monthly Sales Tax Report



### COMMUNICATIONS/UTILITIES:

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

**April 2021 Actuals: \$132K**

**FY 20-21 YTD Actuals: \$1.7M**

**FY 20-21 YTD Revised Budget to Actual Variance of (\$412K) or (20%)**

**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$108K or 7%**

Year-to-date collections in the communications/utilities category are lower than the revised FY 20-21 budget. The FY21 revised budget in this category was based on YTD performance through October 2021. The revenues through October 2021 included summer utility usage that was slightly higher than prior years due to continued construction of new homes. Though the projection process accounts for a decline in revenue during the winter months, the budgeted decline was smaller than what we have seen in recent months, which has resulted in the negative variance between the revised budget and actual collections. Year-to-date collections are slightly above the prior year's YTD collections.

### RESTAURANTS & BARS:

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

**April 2021 Actuals: \$416K**

**FY 20-21 YTD Actuals: \$3.7M**

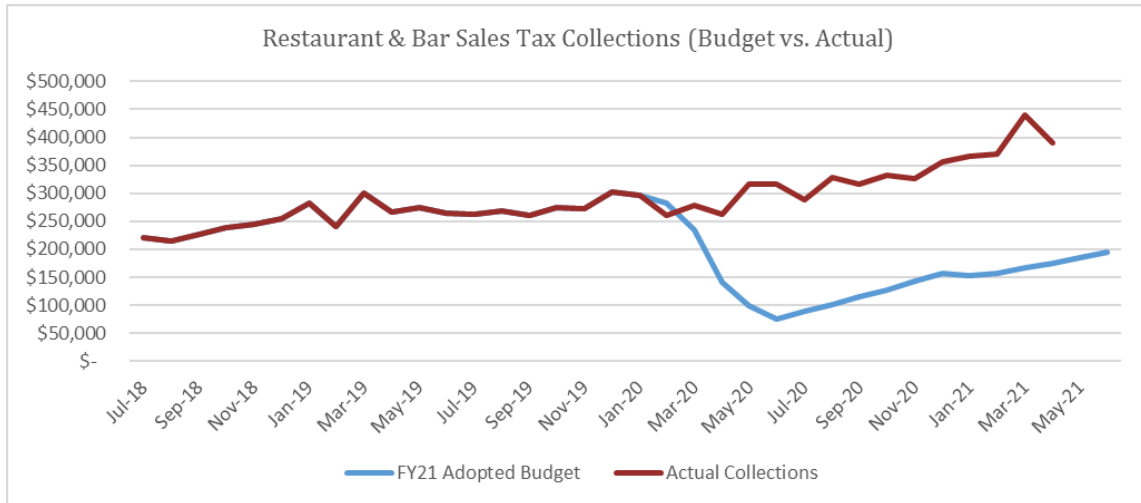
**FY 20-21 YTD Revised Budget to Actual Variance of \$564K or 18%**

**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$825K or 28%**

This category is above the current year revised budget and prior year actual collections. The adopted FY 20-21 budget accounted for a sharp decline in activity in this sector due to the COVID-19 pandemic. Performance in this category was impacted due to restrictions placed on many restaurant and bar establishments, which required them to limit restaurant capacity or only provide takeout, delivery, and drive-thru services. As vaccines have become more readily available, many restrictions on operations have been relaxed.

## Appendix 1: Queen Creek Monthly Sales Tax Report

Performance has remained strong for establishments in Queen Creek, which resulted in the revision of this category's budget upward in February 2021. As seen in the graph below, monthly collections in the restaurant and bar category have consistently been above the initially budgeted levels at the beginning of the pandemic.



### 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.

**April 2021 Actuals: \$197K**

**FY 20-21 YTD Actuals: \$1.8M**

**FY 20-21 YTD Revised Budget to Actual Variance of \$165K or 10%**

**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$217K or 13%**

This category's collections are above the revised budget and prior year collections. This can be attributed to the continued development of commercial and residential properties that have become available for rent to tenants this year. Additionally, an increase in rent prices may contribute to the year-over-year increase.

### 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.

**April 2021 Actuals: \$185K**

**FY 20-21 YTD Actuals: \$2.0M**

**FY 20-21 YTD Revised Budget to Actual Variance of \$679K or 53%**

**FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$690K or 54%**

This category is above the current year adopted budget and previous year actual collections. The arts and entertainment and services categories have performed better than anticipated despite closures and limitations due to COVID-19 throughout most of the year. Collections from use tax have also been elevated throughout FY 20-21, causing the YTD actuals to be above the YTD budget.

## 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

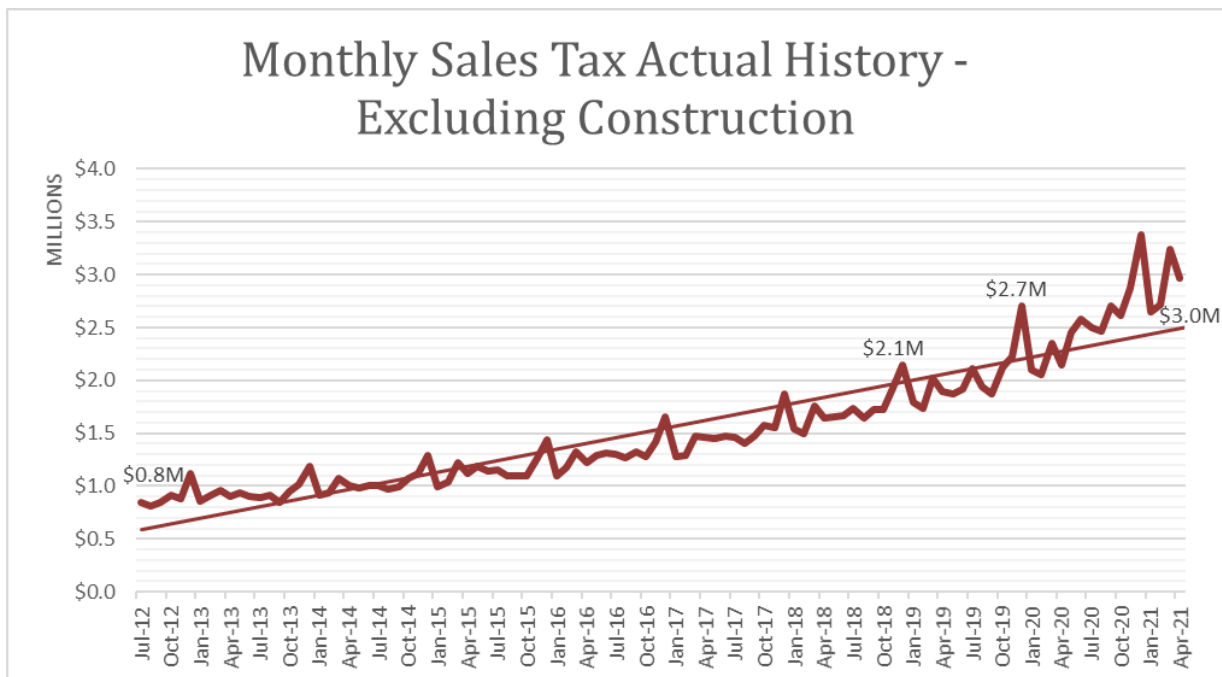
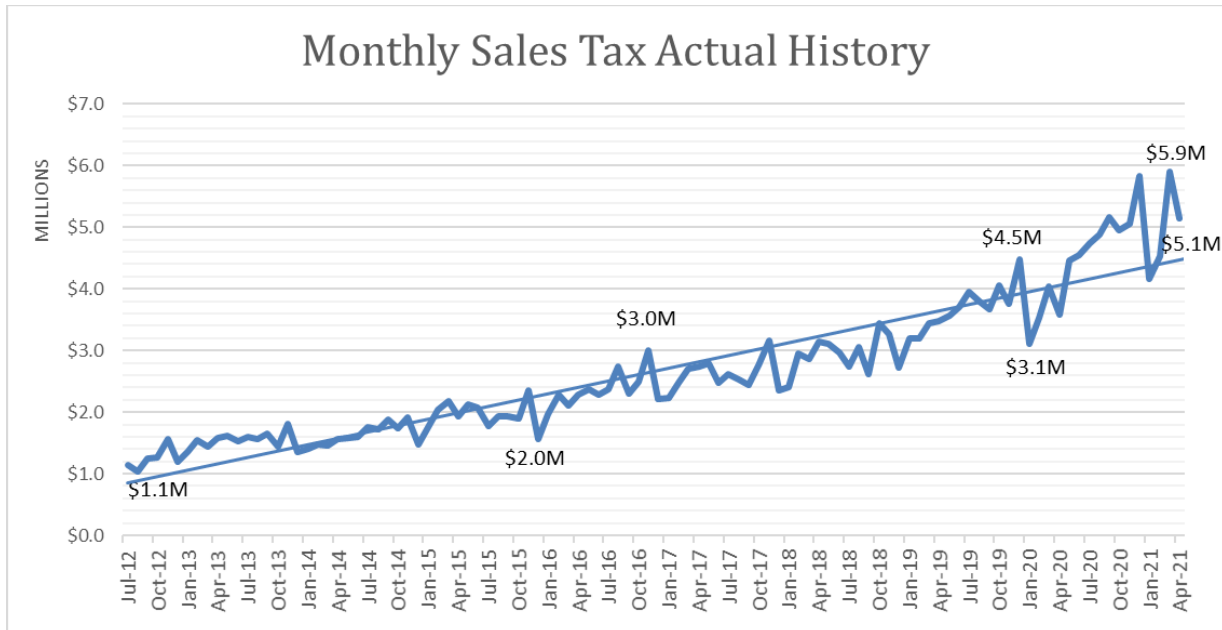
Sales Tax Rate Components					
Queen Creek Rate		Queen Creek Special District Rate (Town Center)		Construction Contracting Rate	
General Fund	2.00%	General Fund	2.00%	General Fund	2.00%
EMS	0.25%	EMS	0.25%	EMS	0.25%
		Town Center	0.25%	Construction Fund	2.00%
<b>Total Rate</b>	<b>2.25%</b>	<b>Total Rate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

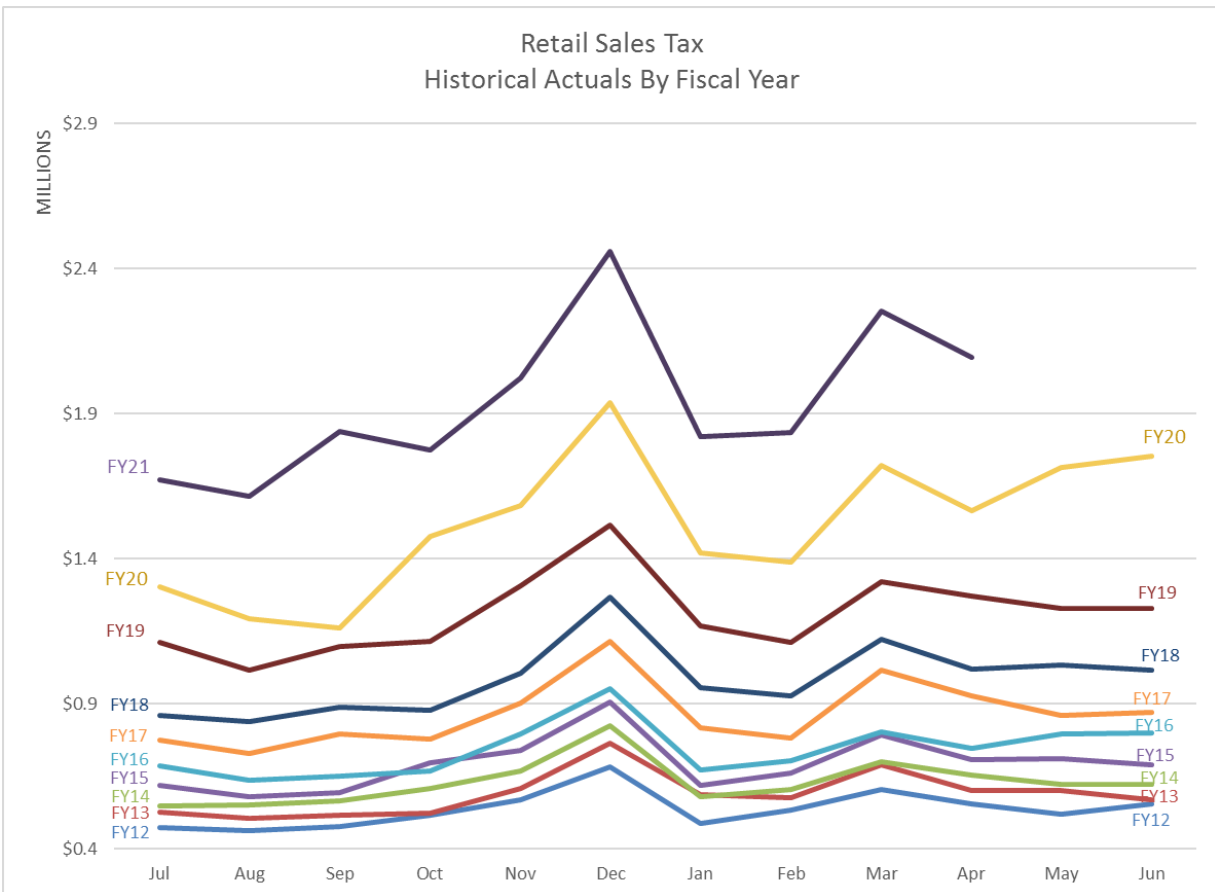
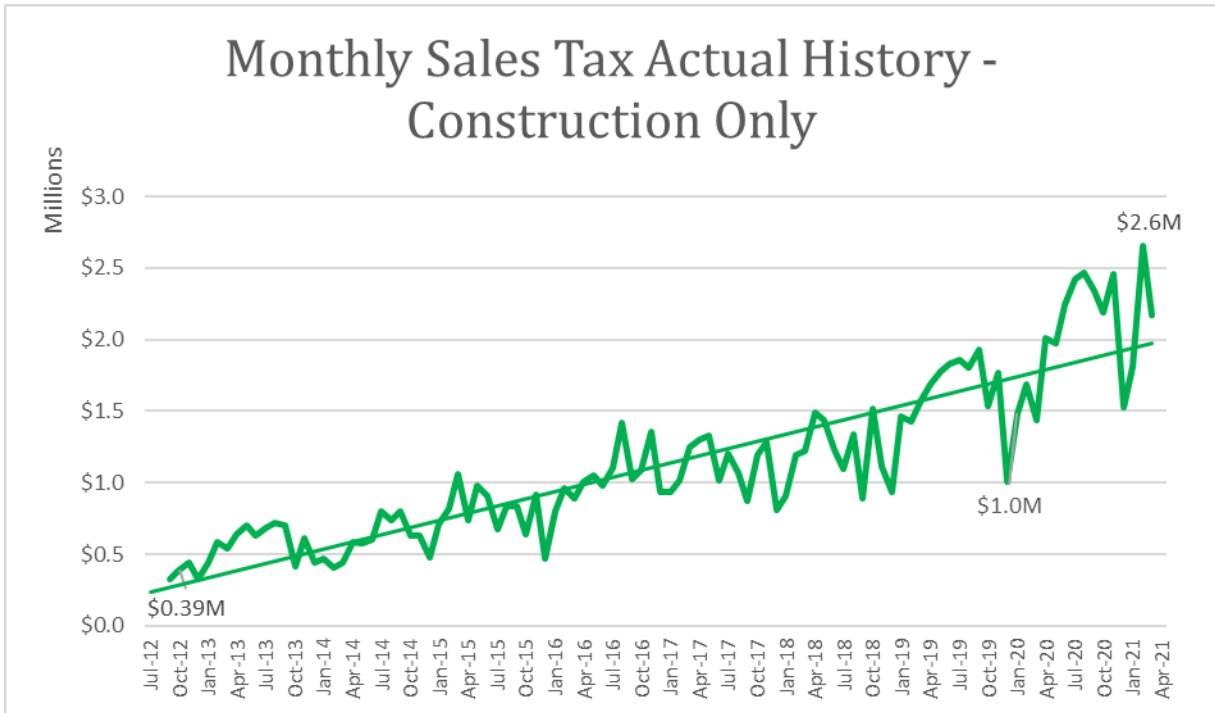
Revenue by Fund	YTD	% of Total
General Fund	\$ 34,622,801	68.7%
EMS Fund	4,327,850	8.6%
Town Center Fund	948,323	1.9%
Construction Fund	10,486,942	20.8%
<b>Totals</b>	<b>\$ 50,385,916</b>	<b>100.0%</b>

Operating Budget	Jul	Aug	Sept	Oct	Nov	Dec
General Fund	\$ 3,210,188	\$ 3,264,754	\$ 3,483,271	\$ 3,352,158	\$ 3,503,776	\$ 4,047,244
EMS Fund	\$ 401,273	\$ 408,094	\$ 435,409	\$ 419,020	\$ 437,972	\$ 505,905
<b>Total Operating Budget</b>	<b>\$ 3,611,462</b>	<b>\$ 3,672,848</b>	<b>\$ 3,918,680</b>	<b>\$ 3,771,178</b>	<b>\$ 3,941,748</b>	<b>\$ 4,553,149</b>

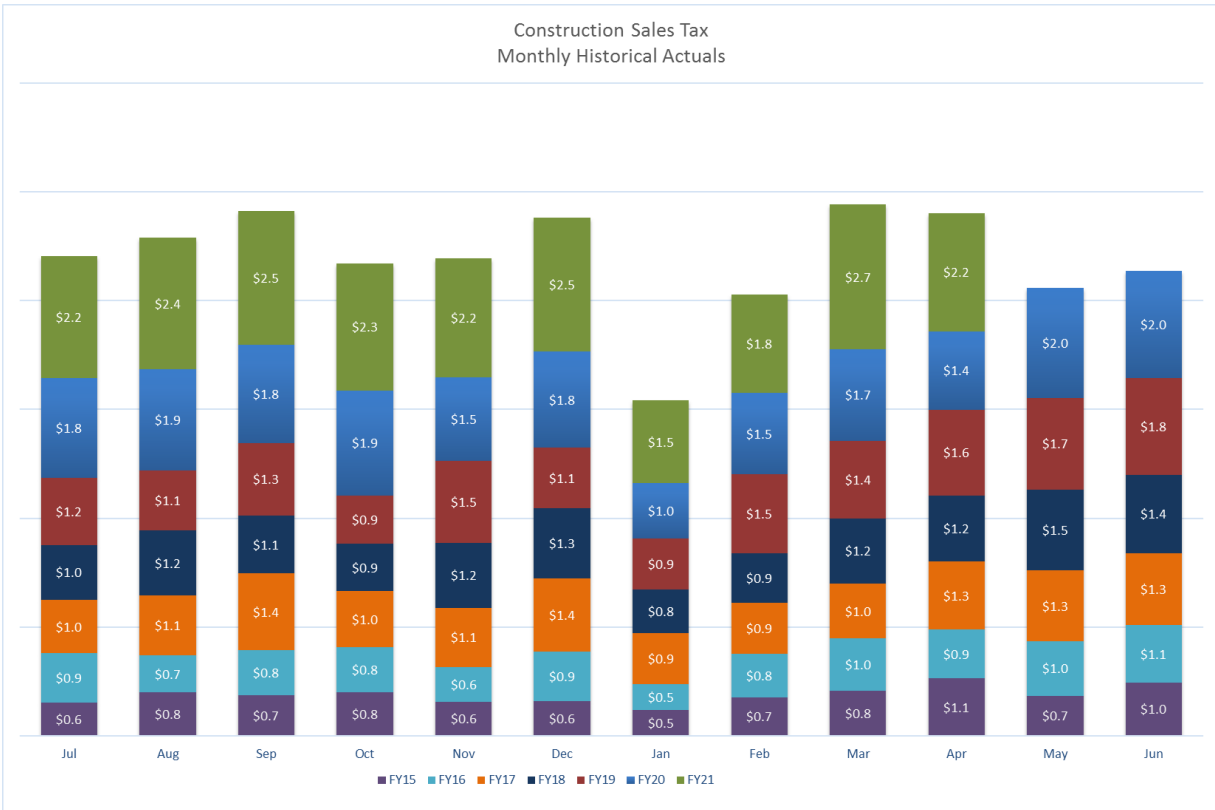
Operating Budget	Jan	Feb	March	April	FY20-21 YTD
General Fund	\$ 2,992,942	\$ 3,171,083	\$ 4,015,551	\$ 3,581,833	\$ 34,622,801
EMS Fund	374,118	396,385	\$ 501,944	\$ 447,729	\$ 4,327,850
<b>Total Operating Budget</b>	<b>\$ 3,367,060</b>	<b>\$ 3,567,468</b>	<b>\$ 4,517,495</b>	<b>\$ 4,029,563</b>	<b>\$ 38,950,651</b>

## Historical Performance





# 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.

Appendix 1: Queen Creek Monthly Sales Tax Report

**TAX RATE CATEGORIES**

Town-wide Queen Creek Sales Tax Rates:

BUSINESS CODE CATEGORY	REGION CODE	BUSINESS CODE	TAX RATE	REPORTING CATEGORY
Advertising	QC	018	2.25%	All Others
Amusements	QC	012	2.25%	All Others
Contracting-Prime	QC	015	4.25%	Construction Contracting
Contracting-Speculative Builders	QC	016	4.25%	Construction Contracting
Contracting – Owner Builder	QC	037	4.25%	Construction Contracting
Job Printing	QC	010	2.25%	All Others
Manufactured Buildings	QC	027	2.25%	Construction Contracting
Timbering & Other Extraction	QC	020	0.10%	All Others
Severance – Metal Mining	QC	019	2.25%	All Others
Publication	QC	009	2.25%	All Others
Hotels	QC	044	2.25%	All Others
Hotel/Motel (Additional Tax)	QC	144	3.00%	All Others
Residential Rental, Leasing & Licensing for Use	QC	045	2.25%	Rental, R.E. & Leases
Commercial Rental, Leasing & Licensing for Use	QC	213	2.25%	Rental, R.E. & Leases
Rental, Leasing & Licensing for Use	QC	214	2.25%	Rental, R.E. & Leases
Restaurants & Bars	QC	011	2.25%	Restaurants & Bars
Retail Sales	QC	017	2.25%	Retail Sales
Retail Sales Food for Home	QC	062	2.25%	Retail Sales
MRRA	QC	315	2.25%	All Others
Communications	QC	005	2.25%	Comm. & Utilities
Transporting	QC	006	2.25%	All Others
Utilities	QC	004	2.25%	Comm. & Utilities
Use Tax Purchases	QC	029	2.25%	Retail Sales
Use Tax from Inventory	QC	030	2.25%	Retail Sales
Retail Sales for Remote Sellers	QC	605	2.25%	Retail Sales
Retail Sales Food for Home Consumption Remote Sellers	QC	606	2.25%	Retail Sales
Marijuana Sales	QC	420	2.25%	Retail Sales
Medical Marijuana Sales	QC	203	2.25%	Retail Sales

Queen Creek Special District Tax Rates (Town Center):

BUSINESS CODE CATEGORY	REGION CODE	BUSINESS CODE	TAX RATE	REPORTING CATEGORY
Amusements	QD	012	2.50%	All Others
Job Printing	QD	010	2.50%	All Others
Publication	QD	009	2.50%	All Others
Hotels	QD	044	2.50%	All Others
Hotel/Motel (Additional Tax)	QD	144	3.00%	All Others
Restaurants & Bars	QD	011	2.50%	Restaurants & Bars
Retail Sales	QD	017	2.50%	Retail Sales
Retail Sales Food for Home	QD	062	2.50%	Retail Sales
MRRA	QD	315	2.50%	All Others
Communications	QD	005	2.50%	Comm. & Utilities
Utilities	QD	004	2.50%	Comm. & Utilities
Retail Sales for Remote Sellers	QD	605	2.50%	Retail Sales
Retail Sales Food for Home Consumption Remote Sellers	QD	606	2.50%	Retail Sales