



TOWN OF
QUEEN CREEK
ARIZONA

FY 20-21 Year to Date Financial Report

Operating Budget to Actual Performance

Fiscal Year to Date through June 2021

FINAL

Revised and Issued October 29, 2021

Executive Summary

The Town's budget-to-actual performance for FY 20-21 ended the year with favorable variances for both revenues and expenses. Actual revenues performed well with receipts exceeding expectations by \$9.5M, or 11%. This is the result of Sales Tax, Construction Sales Tax, and Building/Engineering Revenues all performing 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 FY 20-21 budget initially projected 700 single-family permits for the entire fiscal year, but the Town actually issued 2,223 permits, the most in any year on record for the Town. Additionally, average monthly home closings are currently running at 146 per month, 12% higher than the prior year.

Total expenses for the fiscal year were \$7.8M or 12% less than budget. The favorable variance was driven by savings in street maintenance in the HURF Fund; MCSO contractual services; and software, vehicles, and equipment that remained on back-order due to nationwide supply chain issues.

The revised Operating Budget anticipated that revenues would exceed expenses by \$22.4M by the end of the fiscal year. However, actual results were better than expected resulting in total revenues exceeding total expenses by \$39.6M, an improvement of \$17.2M or 77%.

Because the Town's operating results were favorable throughout the fiscal year, staff revised revenue estimates for FY 20-21 in conjunction with preparing revenue forecasts for the FY 21-22 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 Operating Budget ended fiscal year 20-21 with healthy reserve balances, including \$22.5M in operating reserves and \$45.7M in pension reserves. Of note, the pension reserves are fully funded, representing 100% of the Town's estimated unfunded pension liabilities as of June 30, 2021, per the Town's Pension Funding Policy.

Operating Budget

The Operating Budget includes the Town's activity in 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 total revised budget estimated that revenues would exceed expenses by \$22.4M for the year, with additional amounts being transferred out to other funds to cover the non-growth share of debt payments and capital improvements. Actual revenues exceeded expenses by \$39.6M, a \$17.2 or 77% positive variance.

The budget numbers in this report reflect adjustments approved by the Town Council in February 2021, including an increase to Operating Budget revenues and expenditures of \$25.1M and \$3.5M, respectively. Other budget adjustments in prior months used \$5.5M from contingency funds to provide budget authority for police vehicle expenditures, business assistance grants, and contract services for plan reviews and building inspections. The total revised budget anticipated the Town would add \$18.5M to fund balance, all of which will be used to fund the Town's operating and pension reserves as shown below.

The Town's Operating fund balance ended the year at \$92.2M, which is \$17.0M higher than expected. Of the total fund balance, \$45.7M is reserved for pension funding and \$22.5M is reserved for operations based on the Town's 25% Reserve Policy. Notably, both pension reserves are fully funded, representing 100% of the Town's estimated unfunded pension liabilities as of June 30, 2021. Also, the Police Services and COVID-19 reserves will be eliminated next fiscal year based on the Town Council's direction during the FY 21-22 budget adoption cycle.

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	\$ 88,737,493	\$ 98,182,471
Expenses	55,621,256	66,338,378	66,338,378	58,582,597
Operating Results	\$ 7,966,781	\$ 22,399,115	\$ 22,399,115	\$ 39,599,875
Transfers In:				
AZCares Grant Funds	\$ -	\$ 5,842,506	\$ 5,842,506	\$ 5,842,506
Close out of expired Recreation Fund	-	59,809	59,809	59,809
Transfers Out:				
Events/Grants Match/Other	25,000	25,000	25,000	-
Debt Service	6,457,677	6,243,710	6,243,710	6,242,936
CIP	3,377,700	3,484,452	3,484,452	3,706,769
Net Transfers In (Out)	(9,860,377)	(3,850,847)	(3,850,847)	(4,047,390)
Net Operating Results	\$ (1,893,596)	\$ 18,548,268	\$ 18,548,268	\$ 35,552,484
Beginning Fund Balance	\$ 46,656,233	\$ 56,608,528		\$ 56,608,528
Ending Fund Balance	\$ 44,762,637	\$ 75,156,796		\$ 92,161,012
25% Revenue Reserve	\$ 16,857,700	\$ 22,455,913		\$ 22,455,913
Police Services Reserve	4,500,000	113,099		113,099
COVID-19 Reserve	4,770,623	11,060,087		11,060,087
MSCO Unfunded Pension Liability Reserve	18,634,314	25,232,142		26,334,929
ASRS Unfunded Pension Liability Reserve	-	16,295,555		19,409,088
Available Fund Balance	-	-		12,787,897
Total Fund Balance	\$ 44,762,637	\$ 75,156,796		\$ 92,161,012

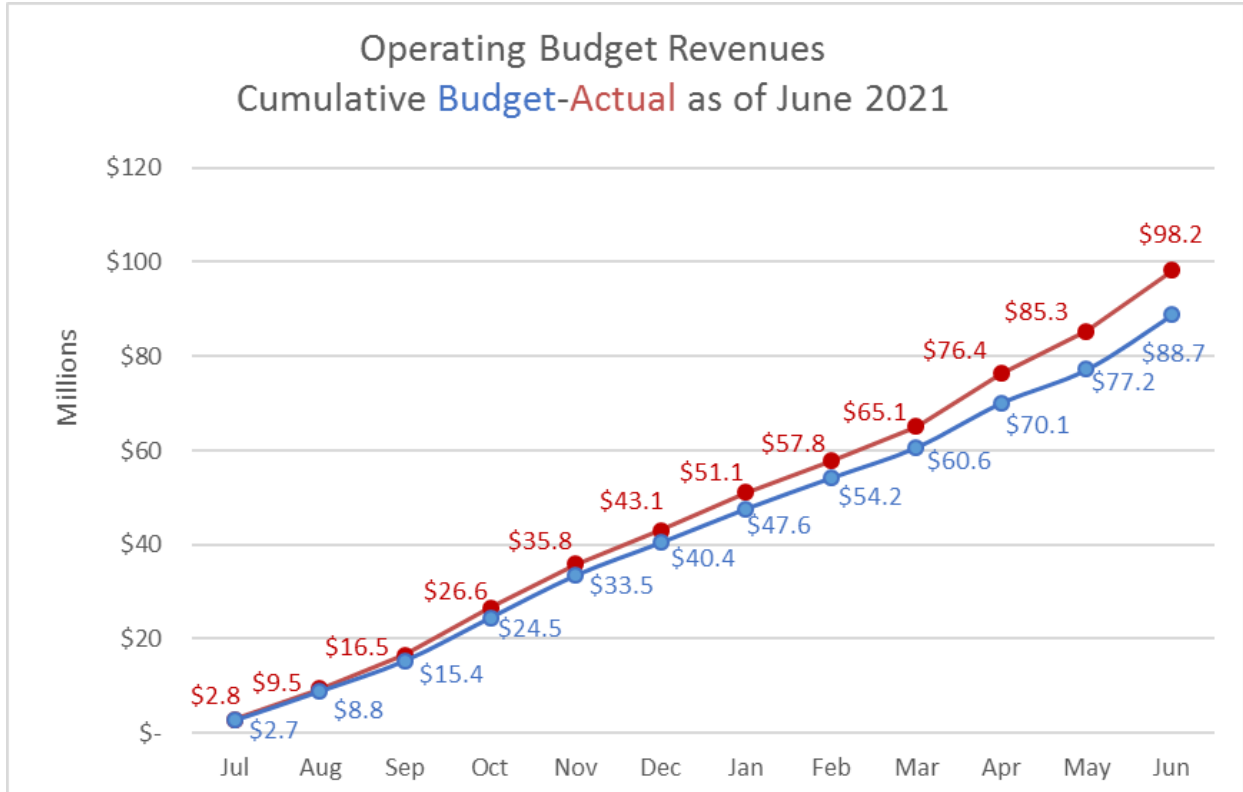
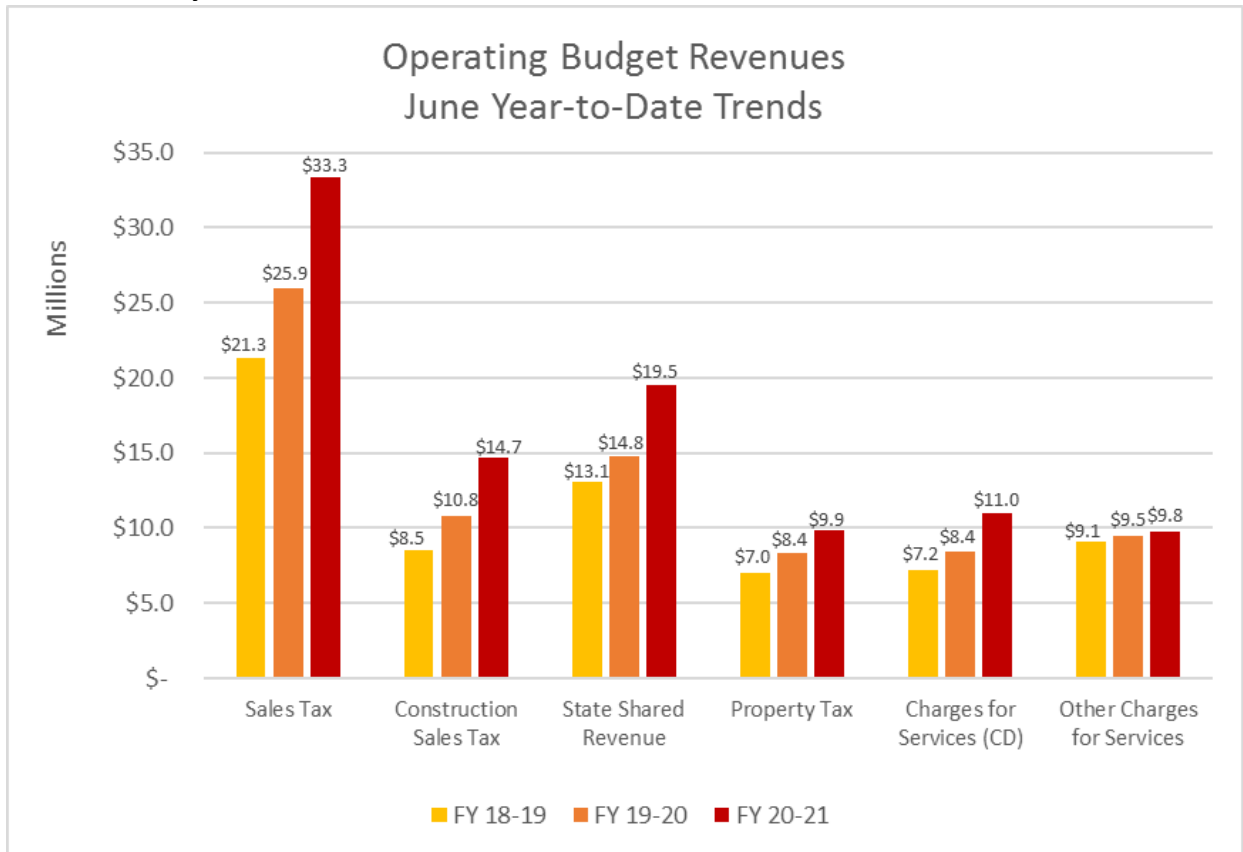
The remainder of this report focuses on revenues and expenses only. It does not include transfers, debt service, or infrastructure funding transfers.

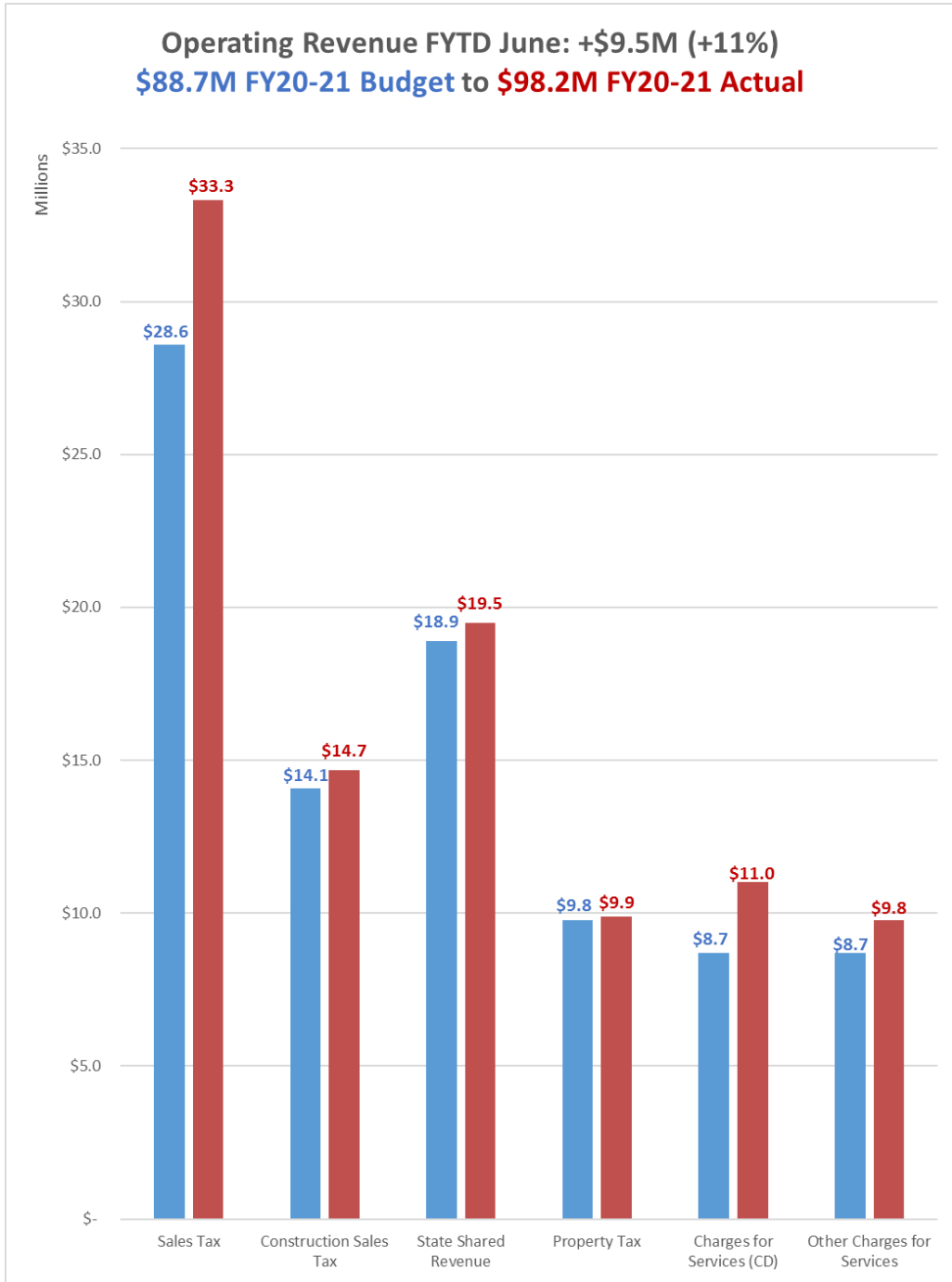
June 2021 Year-to-Date Results

	<u>YTD</u>	<u>YTD</u>	<u>\$ Variance</u>	<u>% Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	
Revenues				
Sales Tax	\$ 28,579,056	\$ 33,321,721	\$ 4,742,665	17%
Construction Sales Tax	14,075,466	14,684,431	608,965	4%
State Shared Revenue	18,902,492	19,496,504	594,012	3%
Property Tax	9,779,705	9,881,720	102,015	1%
Charges for Services (CD)*	8,702,800	11,014,261	2,311,461	27%
Other Charges for Services	8,697,974	9,783,835	1,085,861	12%
Total Revenues	\$ 88,737,493	\$ 98,182,471	\$ 9,444,978	11%
Expenditures				
Salaries & Benefits	\$ 31,586,187	\$ 29,540,445	\$ 2,045,742	6%
Supplies & Services	21,697,005	18,330,048	3,366,957	16%
Maricopa County Sheriff	7,994,208	7,450,731	543,477	7%
Capital Outlay	5,060,978	3,261,372	1,799,607	36%
Total Expenditures	\$ 66,338,378	\$ 58,582,597	\$ 7,755,782	12%

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

Revenue Analysis





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 for FY 2020-21 was \$4.7M or 17% above budget, even after adjusting for revised revenue estimates. Throughout the year, sales tax revenues have consistently exceeded the budget estimate in spite of the uncertainty surrounding the COVID-19 pandemic. This sales tax growth was not anticipated when the FY 20-21 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 ended the fiscal year \$609K or 4% above the revised budget, reflecting strong residential construction activity. The FY 20-21 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 130 for the previous 12-month period, an increase of 16 homes or 12% 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 was \$594K or 3% 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 ended the fiscal year \$102K or 1% 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. Fiscal year 20-21 CD Revenue was favorable by \$2.3M or 27%, as presented in the following schedule:

June 2021 YTD Community Development Detailed Revenues

Charges for Services (CD)	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Planning Revenue	\$ 120,000	\$ 247,360	\$ 127,360	106%
Engineering Revenue	825,000	1,637,501	812,501	98%
Building Permit Revenue	7,757,800	9,128,680	1,370,880	18%
Total Charges for Services (CD)	\$ 8,702,800	\$ 11,013,541	\$ 2,310,741	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 FY 20-21 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 2,223 single-family permits issued during this fiscal year. This was Town's highest number of single-family permits ever issued in a single year. The Town's non-residential development is also growing quickly, with over \$64M in commercial construction during the fiscal year.

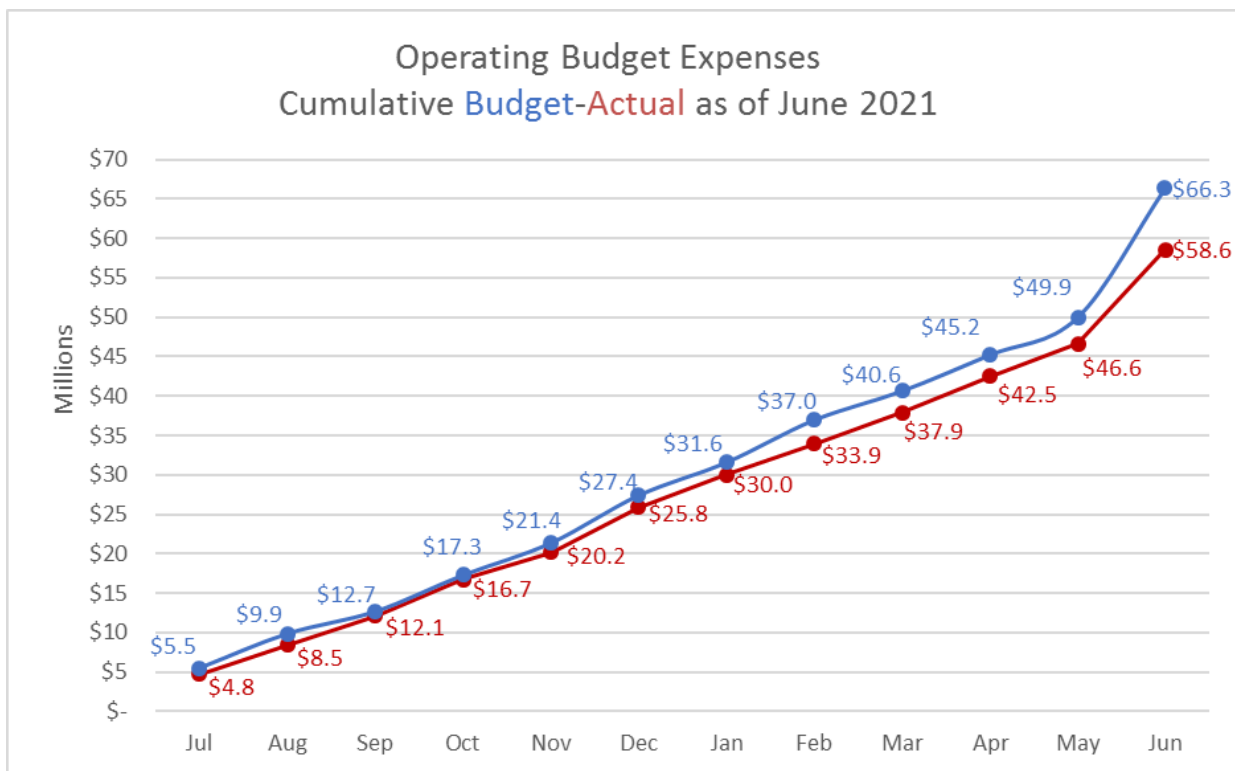
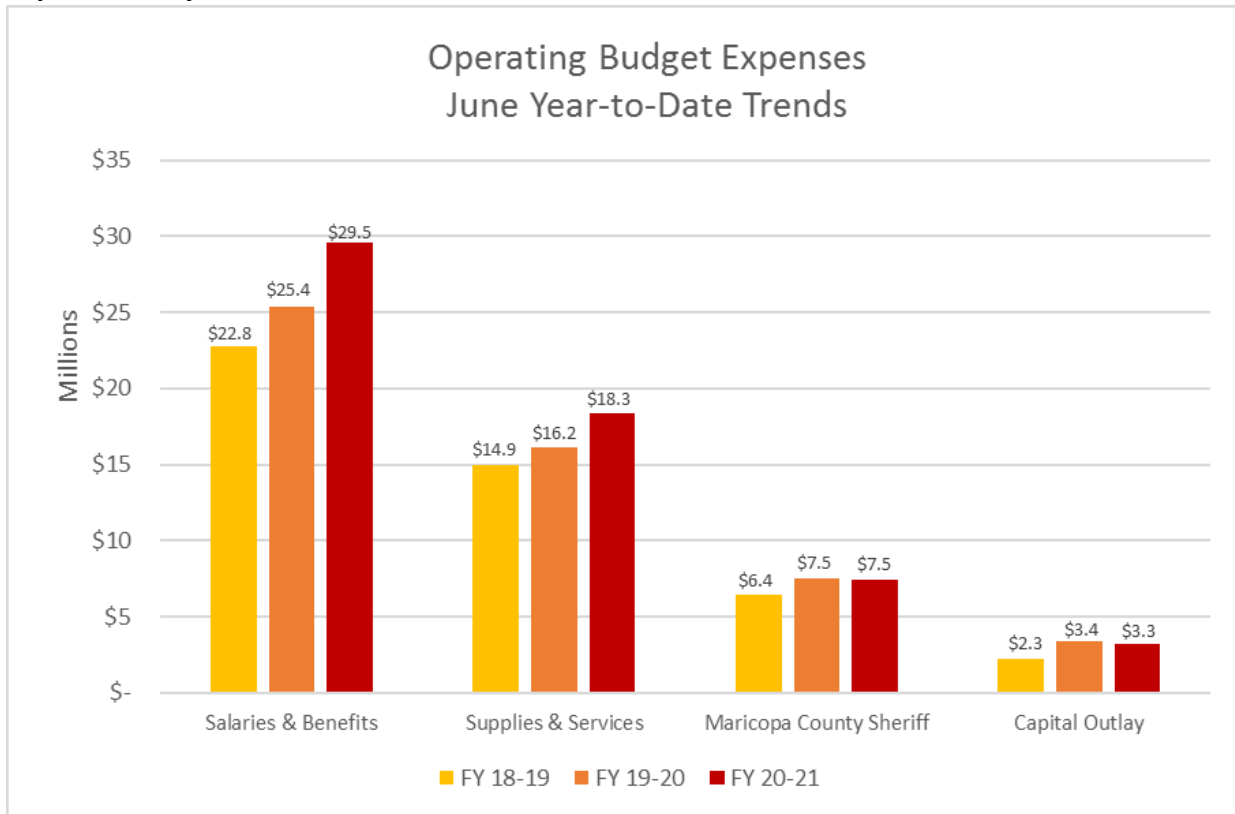
Other Charges for Services

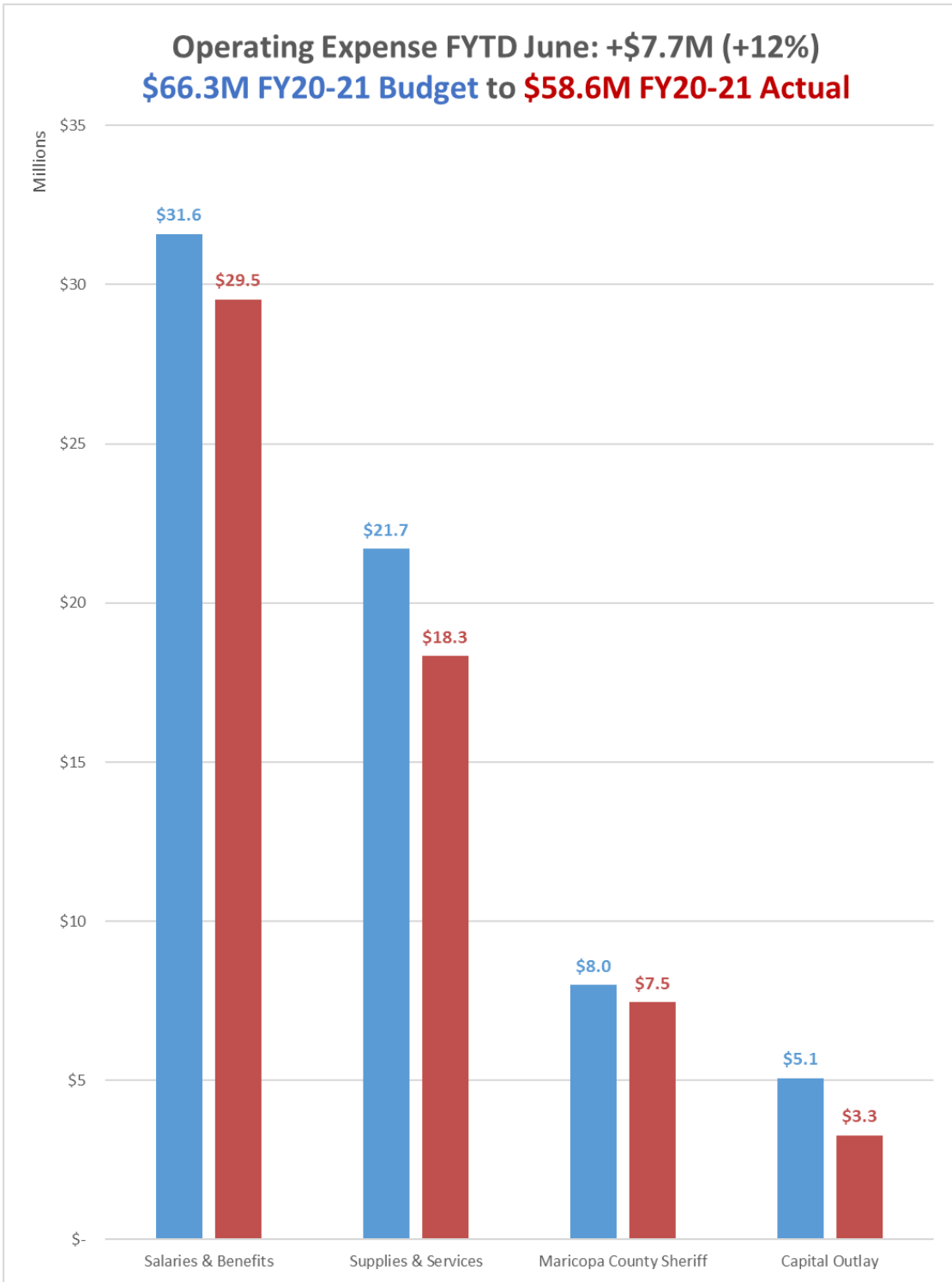
Other Charges for Services is comprised of a number of different sources and ended the year with a \$1.1M or 12% positive variance. The largest revenue group in this category is Utility ROI and Utility Franchise Fees from the Town's Water and Sewer utility operations, which together account for \$3.2M or 32% of the Other revenue category. Departmental Support Revenue accounts for an additional \$1.7M or 17% 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 sparse due to the COVID-19 pandemic. Total revenues for Recreation were \$342K or 104% above budget, mostly in rental fees at Mansel Carter and Desert Mountain parks. HPEC revenues were \$323K 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 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 FY 20-21 reflect a favorable variance of \$6.0M or 9%. The variances of the Expenditure Categories are explained below.

Salaries and Benefits

Salaries and Benefits expenses ended the year \$2.0M or 6% below budget. This variance is mostly due to positions that became vacant during 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 June, the Town had 8 vacancies related to staff turnover in the Operating Budget. Additionally, all but one of the FY 2020-21 budget's approved new positions were filled by the end of June.

Supplies and Services

Supplies and Services expenses were \$3.4M or 16% below budget. Most of this savings came from two areas. First, the Town Council approved 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 but not yet completed by the end of June. Second, \$1.2M of equipment and software for the Police Department are still on back-order or currently under development. This category also includes the Town's new business assistance program that through June had paid \$540K in grants to local businesses to support their efforts to combat the COVID-19 pandemic.

Maricopa County Sheriff

Maricopa County Sheriff costs ended the year with a favorable variance of \$543K or 7%. The MCSO budget for FY 20-21 already included an estimate of personnel vacancies for which the Town receives a credit on a regular basis. These monthly credits have been slightly higher than expected.

Capital Outlay

Capital Outlay expenses for FY 20-21 showed a favorable variance of \$1.8M or 36%. The budgets in this category are for one-time purchases related to major equipment and special projects. Savings include \$572K in vehicles and related equipment, \$246K in IT equipment, and \$723K for the fuel island project at the Municipal Services Building (this project will be completed in the next fiscal year). This year vendors are experiencing supply-chain issues due to the COVID-19 pandemic, which means a number of purchase orders will need to be carried forward into fiscal year 21-22.



TOWN OF
QUEEN CREEK
ARIZONA

FY 20-21 Year to Date Sales Tax Report

FY 20-21 Business Activity through May 2021*

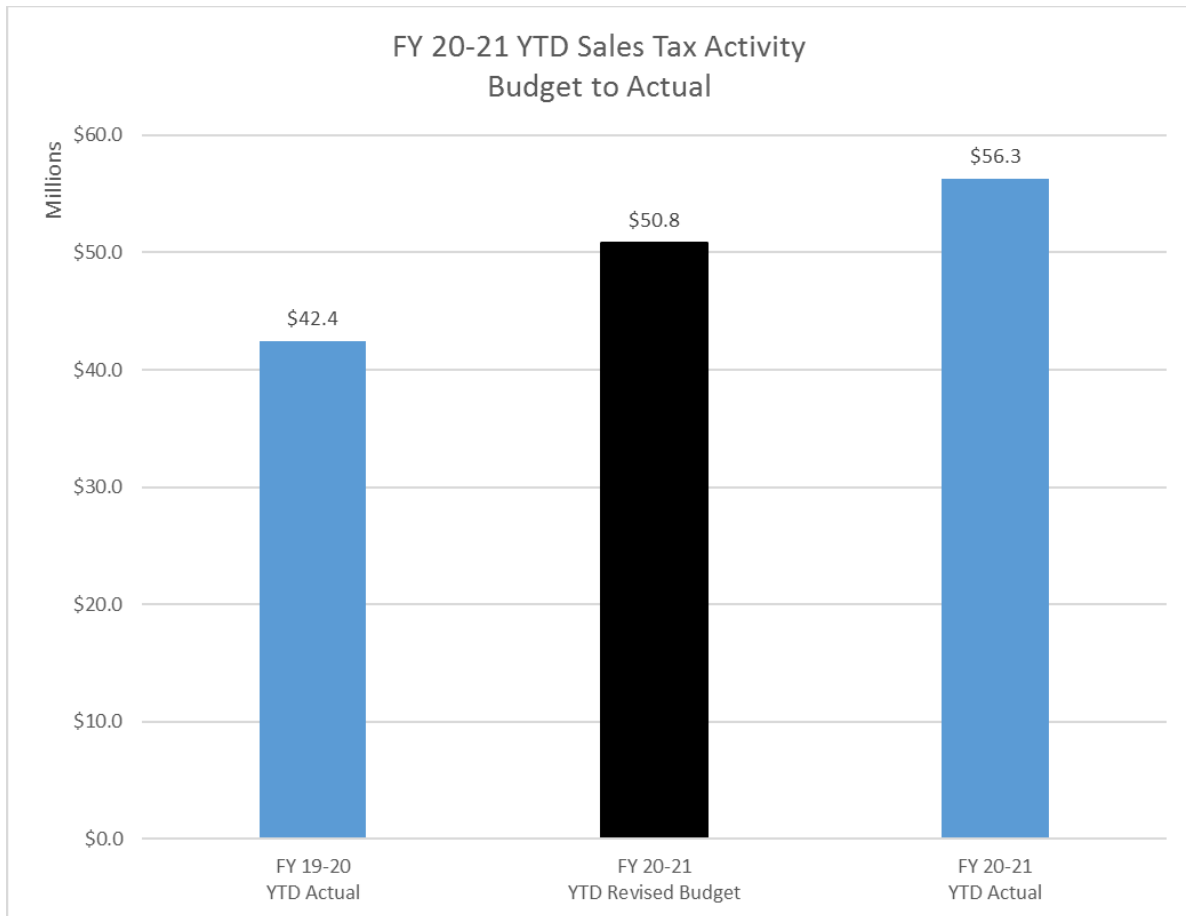
Issued July 2021

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 May 2021 sales tax revenue year-to-date total of \$56.3M exceeds the revised budget by 11%, or \$5.5M. Relative to the same period in FY 19-20, FY 20-21 actuals are 33%, or \$13.8M higher than the previous year.



Sales Category	FY 19-20 YTD Actual	FY 20-21		FY 20-21 YTD Revised Budget-To-Actual		FY 19-20 YTD Actual to FY 20-21 YTD Actual	
		YTD Revised Budget	FY 20-21 YTD Actual	\$ Variance	% Variance	\$ Increase	% Increase
Construction	\$ 18,367,399	\$ 23,817,553	\$ 25,006,646	\$ 1,189,093	5%	\$ 6,639,246	36%
Retail Trade	\$ 15,909,770	17,853,100	21,009,714	3,156,614	18%	5,099,945	32%
Communications & Utilities	\$ 1,737,378	2,324,763	1,834,887	(489,876)	(21%)	97,509	6%
Restaurant & Bar	\$ 3,254,009	3,514,553	4,188,009	673,457	19%	934,000	29%
Real Estate, Rental & Leasing	\$ 1,777,472	1,842,750	2,044,046	201,296	11%	266,574	15%
All Others**	\$ 1,394,843	1,424,404	2,206,262	781,858	55%	811,418	58%
Totals	\$ 42,440,872	\$ 50,777,122	\$ 56,289,564	\$ 5,512,443	11%	\$ 13,848,692	33%

**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 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.

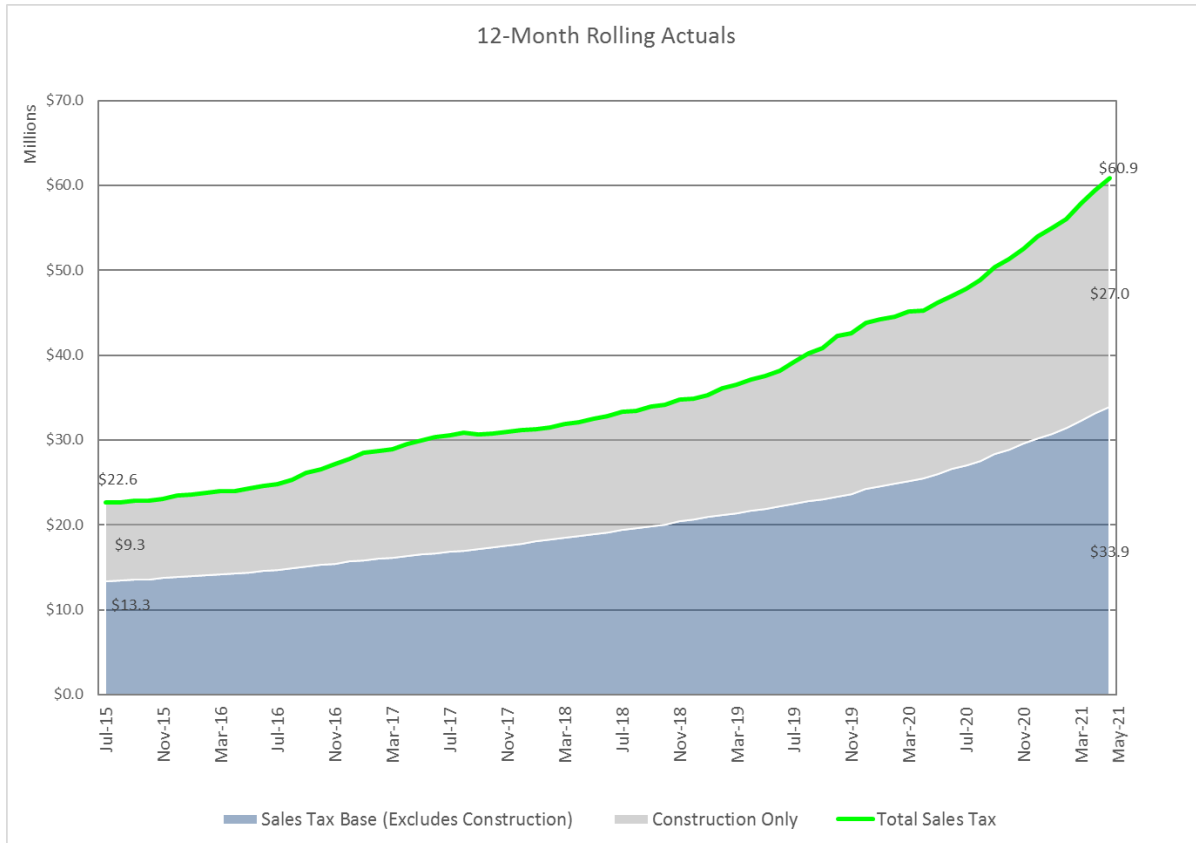
At the onset of the COVID-19 pandemic, the Town's Budget department projected that sales tax revenues in a majority of the sales tax categories would experience declines from March 2020 through June 2020, at which point sales tax revenues would reach their lowest point. The highest declines were projected 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.

Maysales 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.

May 2021 Actuals: \$2.7M

FY 20-21 YTD Actuals: \$25.0M

FY 20-21 YTD Revised Budget to Actual Variance of \$1.2M or 5%

FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$6.6M or 36%

FY 20-21 collections exceed the FY 20-21 revised budget and the prior fiscal year actuals through May 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.

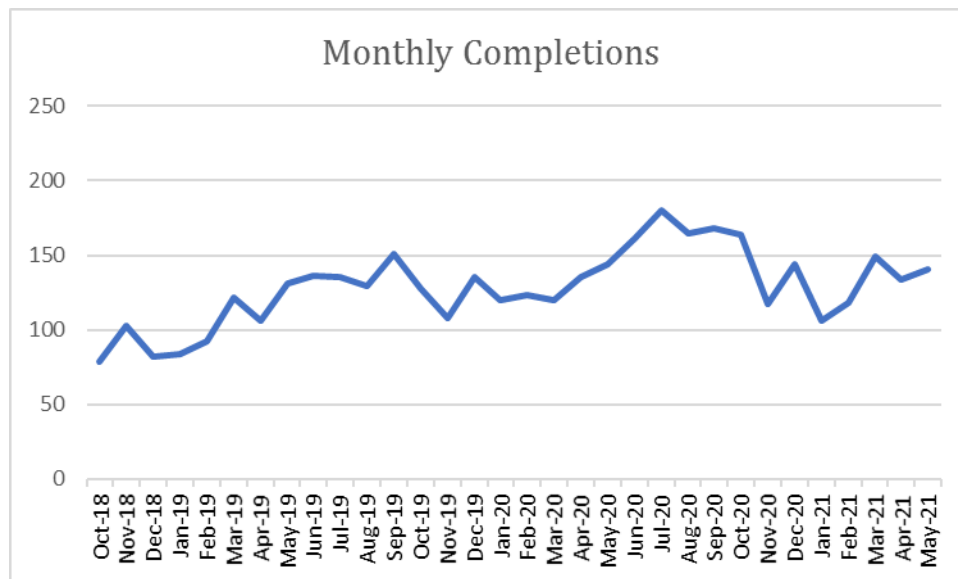
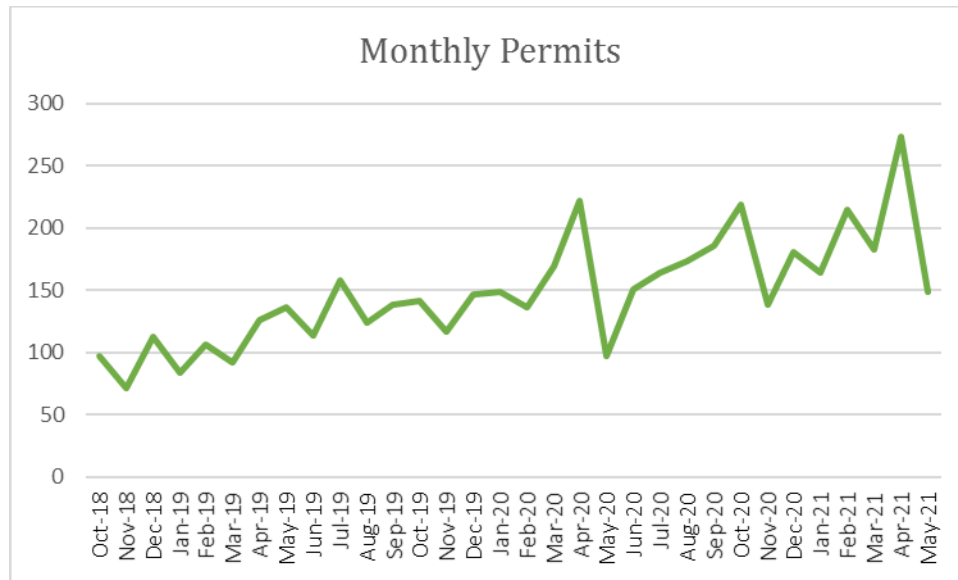
Performance in construction contracting ties mostly to new home sales and in particular, the large-scale homebuilders. Known major homebuilders accounted for the majority of construction contracting sales tax revenues for the month of May. Sales tax paid by homebuilders ties to the sale of a new home, 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	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total	Mo. Avg.
FY 19-20 TOQC NSF Permits Issued	114	158	124	138	142	117	147	149	136	169	222	97	1,713	143
FY 20-21 TOQC NSF Permits Issued	151	164	173	186	219	138	181	164	215	183	274	149	2,197	183

12-Month Rolling NSF Home Completions	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total	Mo. Avg.
FY 19-20 TOQC NSF Completions	136	135	129	151	128	108	135	120	123	120	135	144	1,564	130
FY 20-21 TOQC NSF Completions	161	180	165	168	164	117	144	106	118	149	134	141	1,747	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 157 new home sales close in the month of May with an average sales price of \$509K for these homes. Overall, the Town made up 5.3% of total NSF permits issued in Maricopa County in May. The following table shows the monthly closings by builder, average sale price and estimated gross revenue for the month of May for permits issued within the Town.

Appendix 1: Queen Creek Monthly Sales Tax Report

BUILDER	# CLOSINGS	AVG. SALE PRICE	EST. GROSS REVENUE
LENNAR HOMES	27	\$ 404,761	\$ 10,928,560
ASHTON WOODS HOMES	20	\$ 560,954	\$ 11,219,078
TAYLOR MORRISON	16	\$ 463,441	\$ 7,415,048
RICHMOND AMERICAN	16	\$ 519,174	\$ 8,306,785
PULTE HOMES	13	\$ 447,350	\$ 5,815,544
SHEA HOMES	11	\$ 452,624	\$ 4,978,861
WILLIAM LYON HOMES	10	\$ 443,490	\$ 4,434,897
CRESLEIGH HOMES	8	\$ 405,379	\$ 3,243,034
LANDSEA HOMES	5	\$ 374,158	\$ 1,870,791
BEAZER HOMES	5	\$ 371,125	\$ 1,855,625
TOLL BROTHERS	5	\$ 1,196,380	\$ 5,981,899
MARACAY HOMES	4	\$ 706,779	\$ 2,827,117
ELLIOTT HOMES	4	\$ 677,460	\$ 2,709,839
GEHAN HOMES	4	\$ 463,233	\$ 1,852,931
MISC CUSTOM	3	\$ 937,167	\$ 2,811,500
LUXE HOMES	2	\$ 694,386	\$ 1,388,771
PROVIDENCE HOMES	2	\$ 519,977	\$ 1,039,953
DAVID WEEKLEY HOMES	2	\$ 615,161	\$ 1,230,321
GRAND TOTAL	157	\$ 508,984	\$ 79,910,554

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.

May 2021 Actuals: \$2.1M

FY 20-21 YTD Actuals: \$21.0M

FY 20-21 YTD Revised Budget to Actual Variance of \$3.2M or 18%

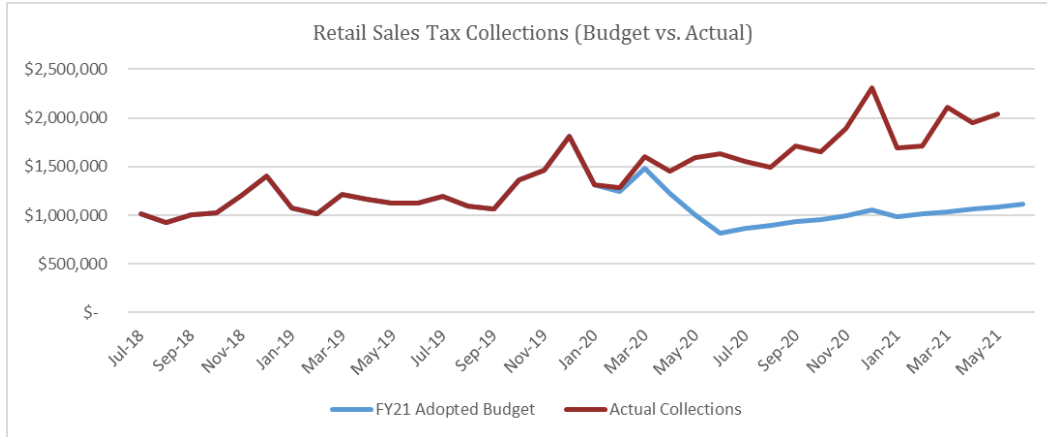
FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$5.1M or 32%

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 May, the top 20 payers of 3,437 total payers in the retail category delivered 66% of the revenue. The top 10 payers in the category account for 55% of the total.

Of the total retail sales tax collections in May, \$309K is estimated to come from e-commerce transactions. May 2021 e-commerce sales tax collections are 32% higher than collections in May 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 May 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.

May 2021 Actuals: \$155K

FY 20-21 YTD Actuals: \$1.8M

FY 20-21 YTD Revised Budget to Actual Variance of (\$490K) or (21%)

FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$97K or 6%

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 2020. The revenues through October 2020 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 during the winter months in 2020 and 2021, 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.

May 2021 Actuals: \$447K

FY 20-21 YTD Actuals: \$4.2M

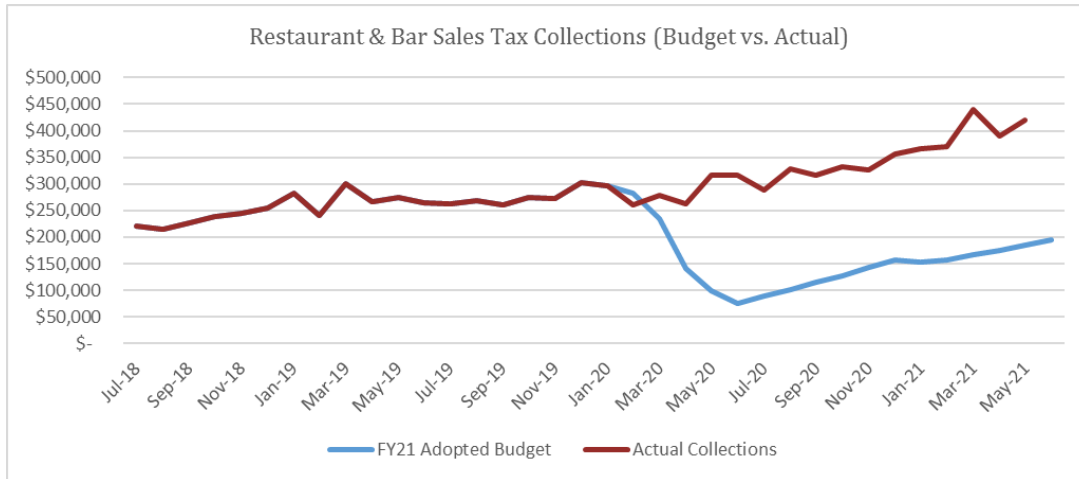
FY 20-21 YTD Revised Budget to Actual Variance of \$673K or 19%

FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$934K or 29%

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.

May 2021 Actuals: \$204K

FY 20-21 YTD Actuals: \$2.0M

FY 20-21 YTD Revised Budget to Actual Variance of \$200K or 11%

FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$267K or 15%

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.

May 2021 Actuals: \$245K

FY 20-21 YTD Actuals: \$2.2M

FY 20-21 YTD Revised Budget to Actual Variance of \$782K or 55%

FY 20-21 YTD Actual to FY 19-20 YTD Actual Increase of \$811K or 58%

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

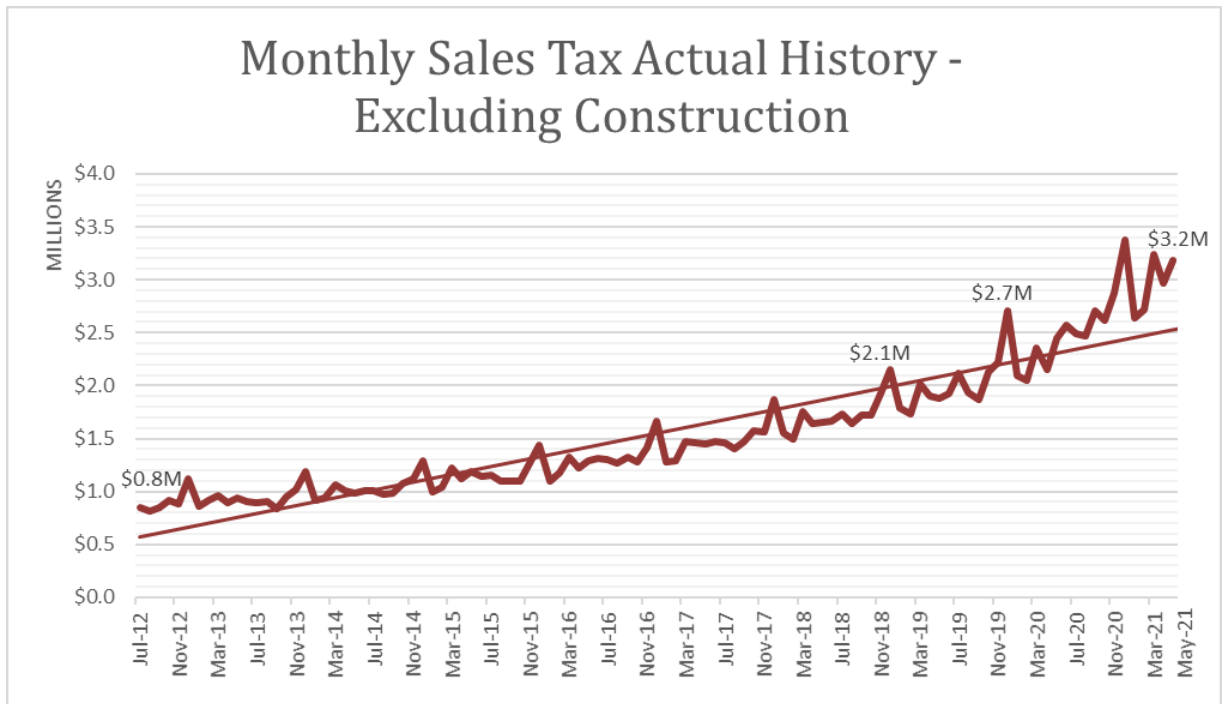
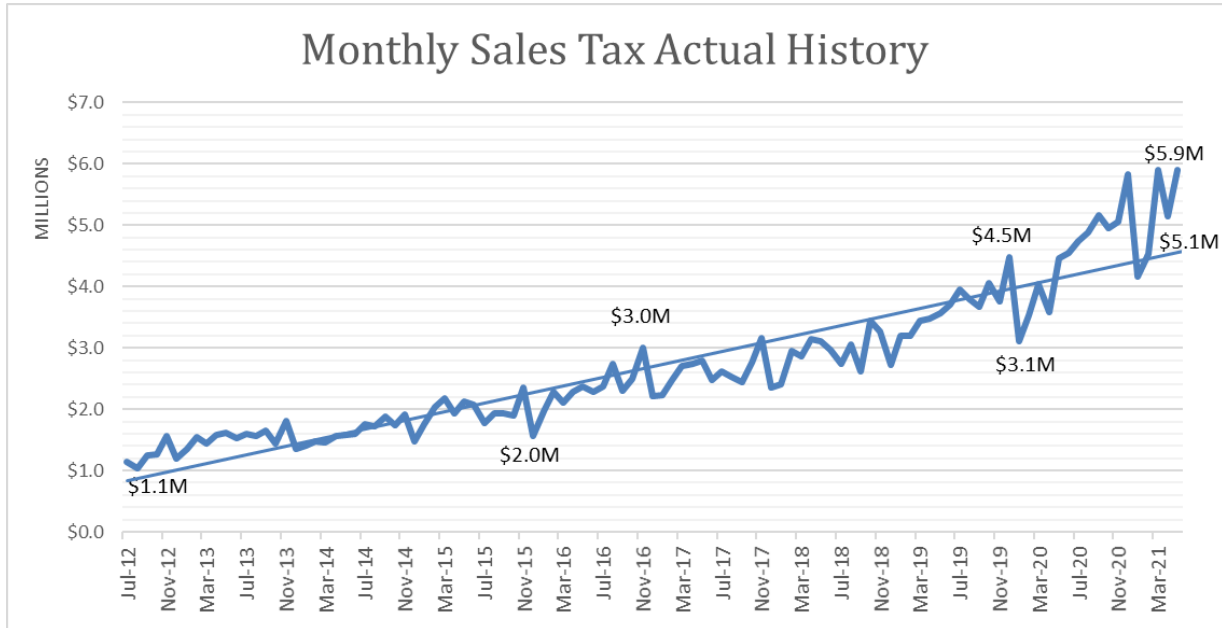
Sales Tax Rate Components					
Queen Creek Rate		Queen Creek Special District Rate (Town Center)		Construction Contracting Rate	
General Fund	2.00%	General Fund	2.00%	General Fund	2.00%
EMS	0.25%	EMS	0.25%	EMS	0.25%
		Town Center	0.25%	Construction Fund	2.00%
Total Rate	2.25%	Total Rate	2.50%	Total Rate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

Revenue by Fund	YTD	% of Total
General Fund	\$ 38,643,890	68.7%
EMS Fund	4,830,486	8.6%
Town Center Fund	1,047,355	1.9%
Construction Fund	11,767,833	20.9%
Totals	\$ 56,289,564	100.0%

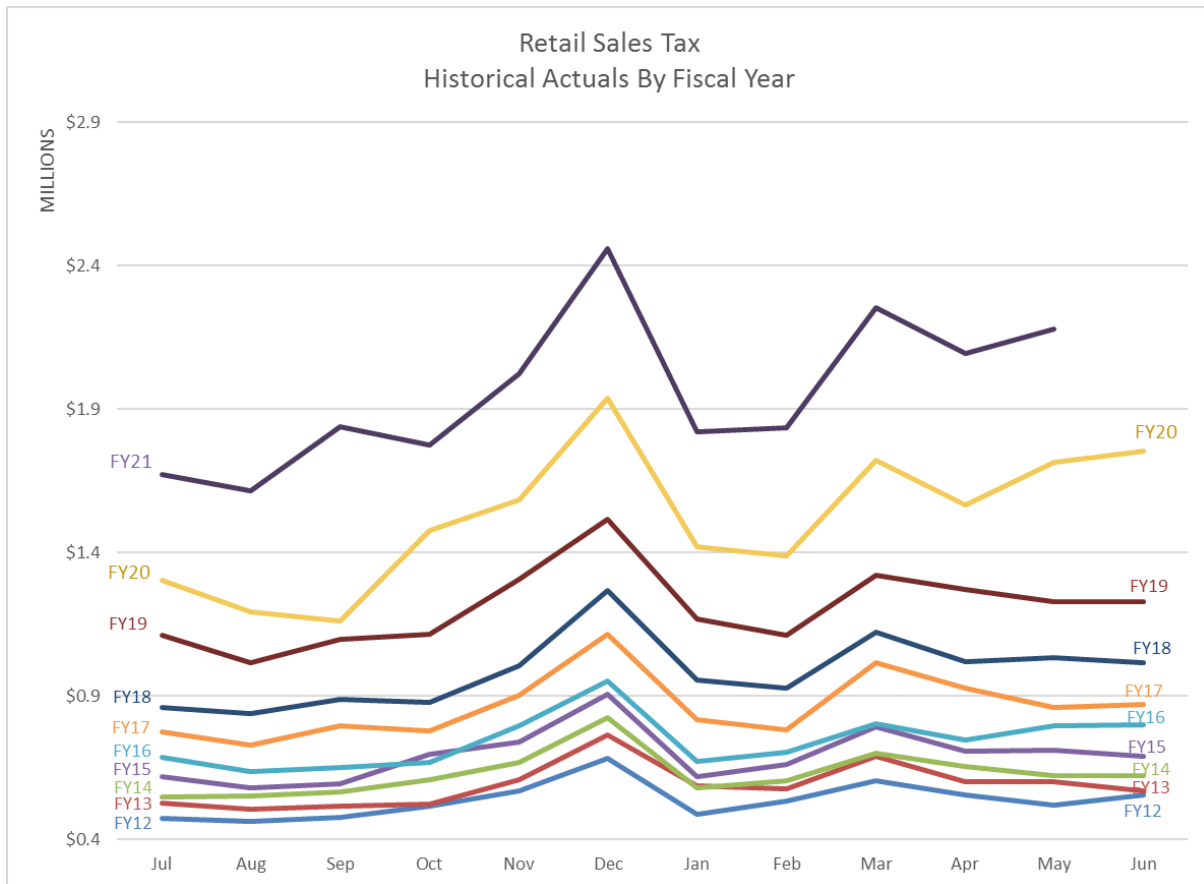
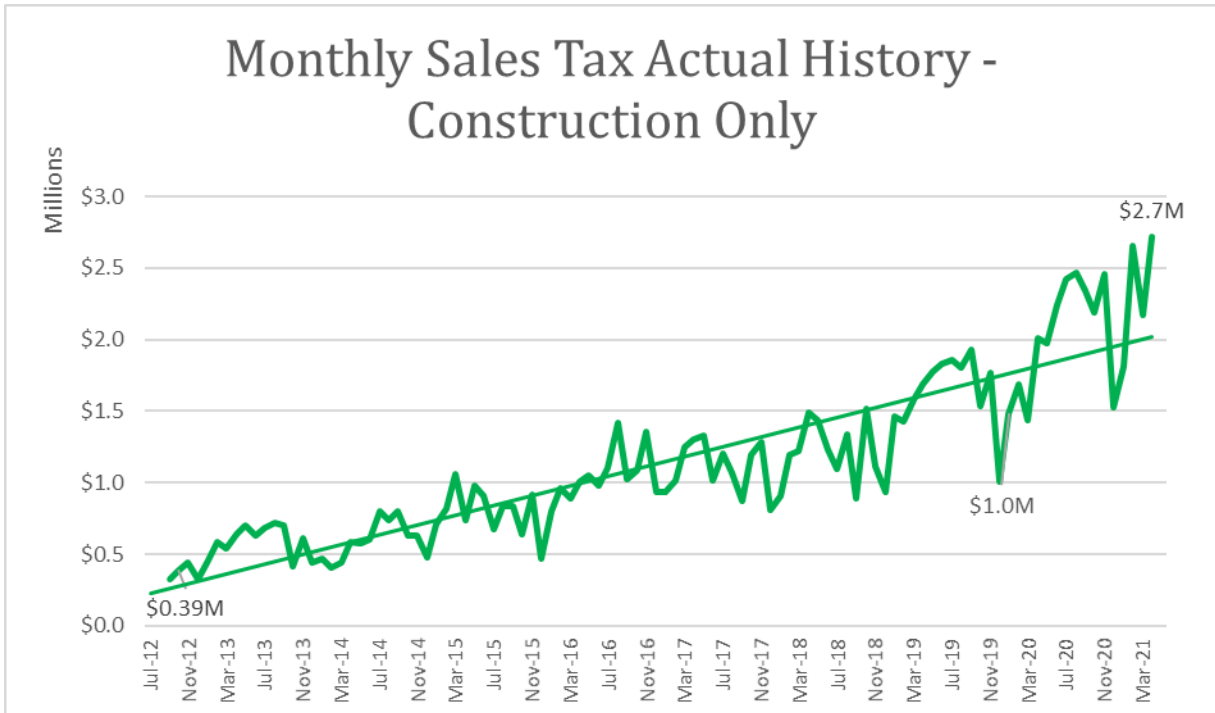
Operating Budget	Jul	Aug	Sept	Oct	Nov	Dec
General Fund	\$ 3,210,188	\$ 3,264,754	\$ 3,483,271	\$ 3,352,158	\$ 3,503,776	\$ 4,047,244
EMS Fund	\$ 401,273	\$ 408,094	\$ 435,409	\$ 419,020	\$ 437,972	\$ 505,905
Total Operating Budget	\$ 3,611,462	\$ 3,672,848	\$ 3,918,680	\$ 3,771,178	\$ 3,941,748	\$ 4,553,149

Operating Budget	Jan	Feb	March	April	May	FY20-21 YTD
General Fund	\$ 2,992,942	\$ 3,171,083	\$ 4,015,551	\$ 3,581,833	\$ 4,021,089	\$ 38,643,890
EMS Fund	374,118	396,385	501,944	447,729	502,636	4,830,486
Total Operating Budget	\$ 3,367,060	\$ 3,567,468	\$ 4,517,495	\$ 4,029,563	\$ 4,523,725	\$ 43,474,376

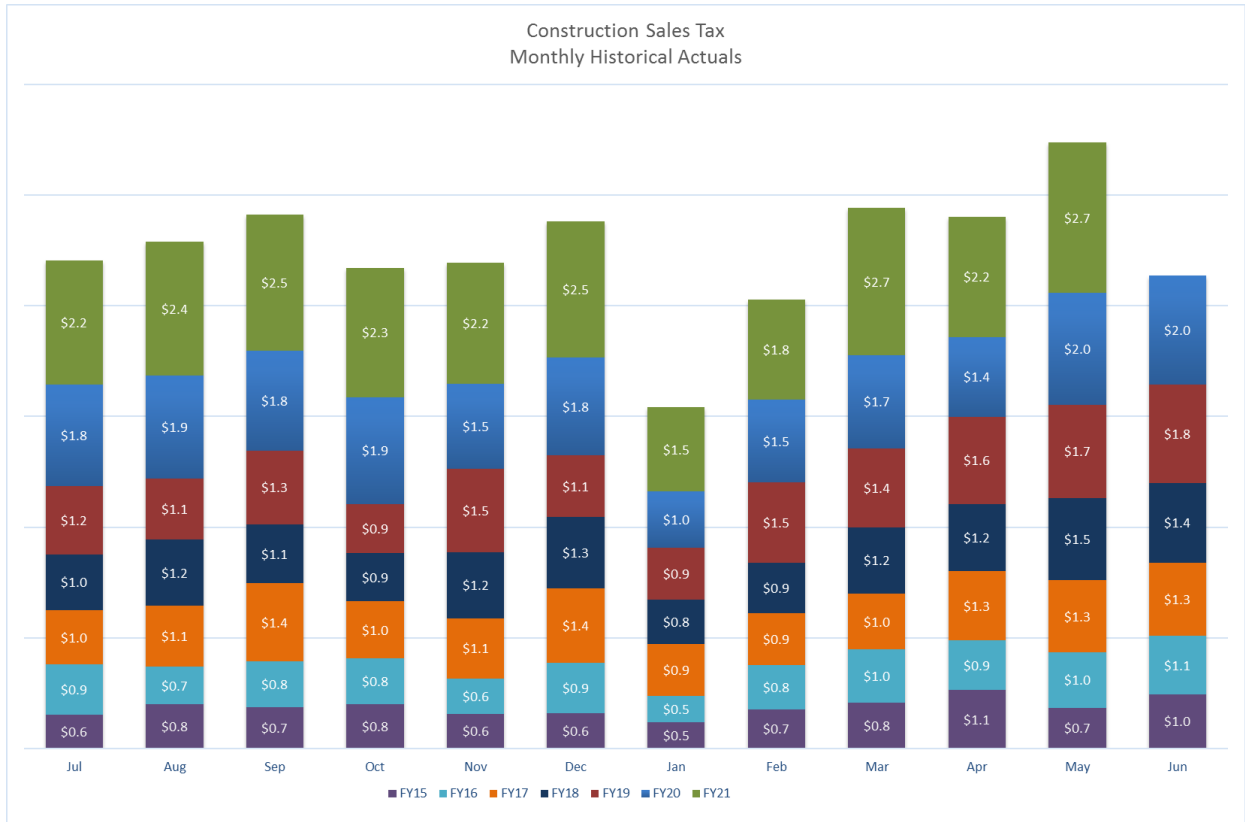
Historical Performance



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.

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