



TOWN OF
QUEEN CREEK
ARIZONA

FY 21-22

Financial Report

Operating Budget to Actual Performance
Fiscal Year to Date through June 2022 – FINAL
(Unaudited)

Re-issued December 5, 2022

The information herein is provided for reference only, is not intended to contain information material to a decision to purchase or sell obligations, and does not, and is not intended to, indicate future or continuing trends of the financial condition or other affairs of the Town. No representation is made as to the materiality of such information. Any budgeted information, unaudited information, forecasts, projections, opinions, assumptions or estimates contained herein are "forward looking statements" that must be read with an abundance of caution and may not be realized or may not occur in the future.

Executive Summary

The Town's budget-to-actual performance for FY 21-22 showed favorable variances for both revenues and expenses. Actual revenues performed well with receipts exceeding expectations by \$7.3M, or 7%. This was mainly the result of Sales Tax, Construction Sales Tax, and Building/Engineering Revenues all performing better than expected due to continued residential and commercial growth in the Town. The Revised Budget amounts in this report include higher revenue estimates that were approved by the Town Council in February 2022.

The FY 21-22 budget anticipated a moderation in the Town's rate of population growth compared to the prior year. For example, the revised budget projected 1,801 single-family permits for the fiscal year, compared to 2,223 permits issued last fiscal year. For the year, the Town issued a total of 1,767 single-family permits or 34 less than expected. However, multi-family units made up this difference. Specifically, we expected 220 multi-family units but permits were issued for 965 new units. Because, based on the latest census information, the same number of people live in a multi-family unit as a single-family home, the population projection was correct. This nuance marks a significant change for the Town whereby both single-family and multi-family development will contribute to our population growth in the future.

Total expenses for the year were \$13.0M or 15% less than budget. More than half of this favorable variance was driven by savings in a significant number of materials and capital equipment purchases that remained on back-order at June 30th due to nationwide supply-chain issues. A total of \$6.4M of open purchase orders and uncompleted projects was carried forward into FY 22-23 to accommodate these delays. The remaining savings came from various categories including streets and facilities maintenance, public safety contractual and software services, credit card fees, and information technology services.

The Revised Operating Budget anticipated that expenses (before transfers) would exceed revenues by \$20.2M. However, actual results were better than expected resulting in revenues exceeding expenses by \$40.6M, an improvement of \$20.4M or 101%.

The Operating Budget ended the year with a record high fund balance of \$114.1M broken down as follows:

- \$29.6M in the 25% Operating Reserves
- \$42.2M in PSPRS and ASRS pension reserves
- \$6.4M in encumbrance reserves for items and projects carried forward to next fiscal year
- \$1.7M in the HURF Fund for future street maintenance projects
- \$500K in the newly created Road Replacement reserve
- \$33.6M unreserved fund balance

Recently, Standard & Poor's (S&P) and Fitch both upgraded the Town's bond ratings one step, from "AA" to "AA+" with a stable outlook. This upgrade places the Town's bond rating just one notch below the highest rating possible of "AAA." Both rating agencies cited several positive factors in their reports, including the following:

- Stable and diverse revenue base
- Expected strong revenue growth and resiliency through economic cycles
- Elimination of unfunded pension liabilities and manageable pension costs
- Very strong financial management policies and practices

This higher bond rating means lower interest rates on the Town's future debt issues, which will save the Town's taxpayers hundreds of thousands of dollars in interest costs over time. The Town will use the comments in the ratings reports as a roadmap to our ultimate goal of achieving a "AAA" rating.

Operating Budget

The Operating Budget includes activity in the General, Streets (HURF), Emergency Services and Horseshoe Park Equestrian Center funds. The schedule below is a summary of the FY 21-22 Operating Budget results for the fiscal year. Actual revenues exceeded expenses by \$40.6M due to a combination of strong revenue growth and expense savings. Additionally, \$10.9M was transferred to CIP funds for various capital projects including \$3.4M for road construction, \$6.5M for new facilities at the Field Operations Facility (FOF), and \$1.0M for a new fire pumper truck. Another \$8.1M was transferred from the Operating Budget to cover scheduled debt service payments.

The revised expense budget reflects \$3.5M that was carried forward from the previous fiscal year to provide spending authority for various projects and equipment needs, nearly half of which was for starting up the police department. Other budget adjustments moved \$5.6M from contingency funds to provide budget authority for additional police staffing and equipment, as well as advance purchase orders for long-lead items such as vehicles and heavy equipment for several departments.

The Town's total Operating fund balance increased by \$21.7M and ended the fiscal year at a record high \$114.1M. Of this total, \$42.2M is reserved for pension funding and \$29.6M 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, 2022.

Three additional reserves are new for FY 21-22. First, \$1.7M of unspent HURF funds is legally restricted for future road maintenance activities. Second, based on Town Council direction, a new reserve for future road replacement projects begins this year with \$500,000 and will increase by \$500,000 each year going forward. Finally, \$6.4M is set aside to accommodate projects and purchase orders that will be carried forward from FY 21-22 to FY 22-23, most of which is related to vehicles and equipment that due to supply chain issues were not delivered by the end of the fiscal year. The remaining fund balance of \$33.6M is available to fund future policy objectives at the direction of the Town Council.

Summary FY 21-22 Operating Budget

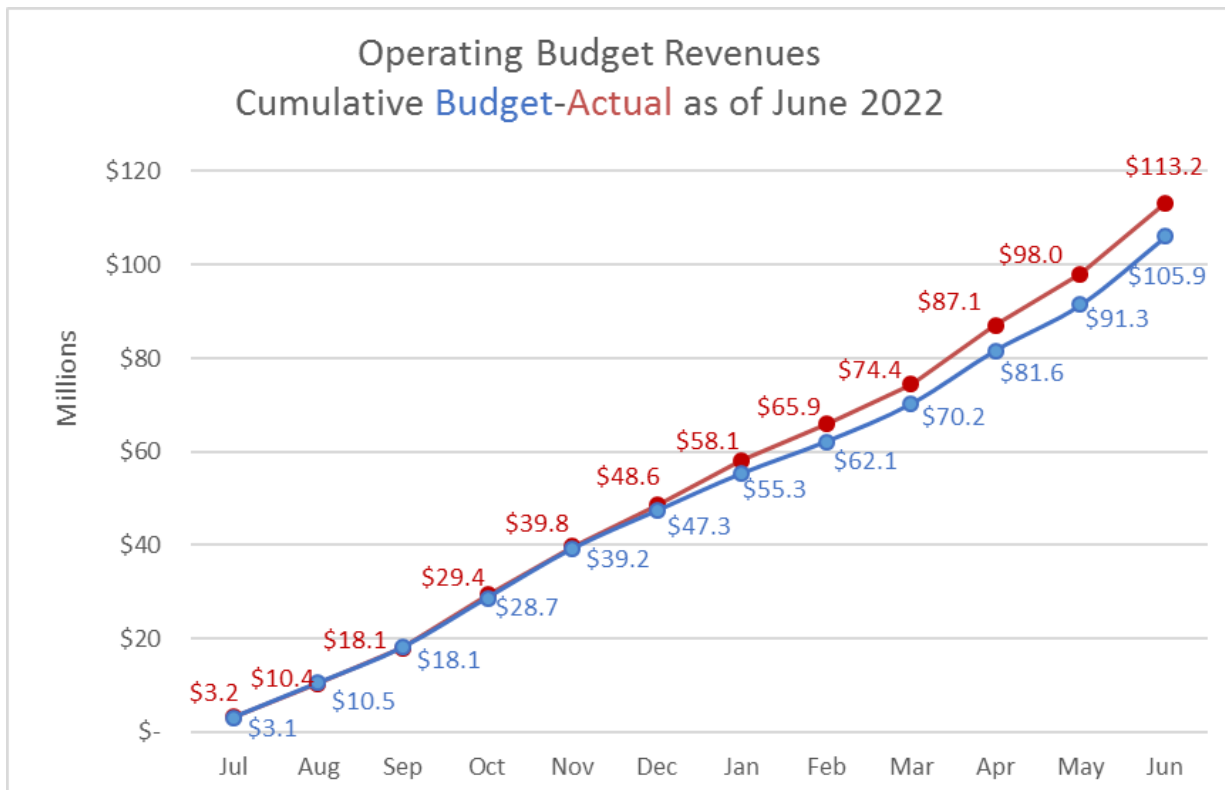
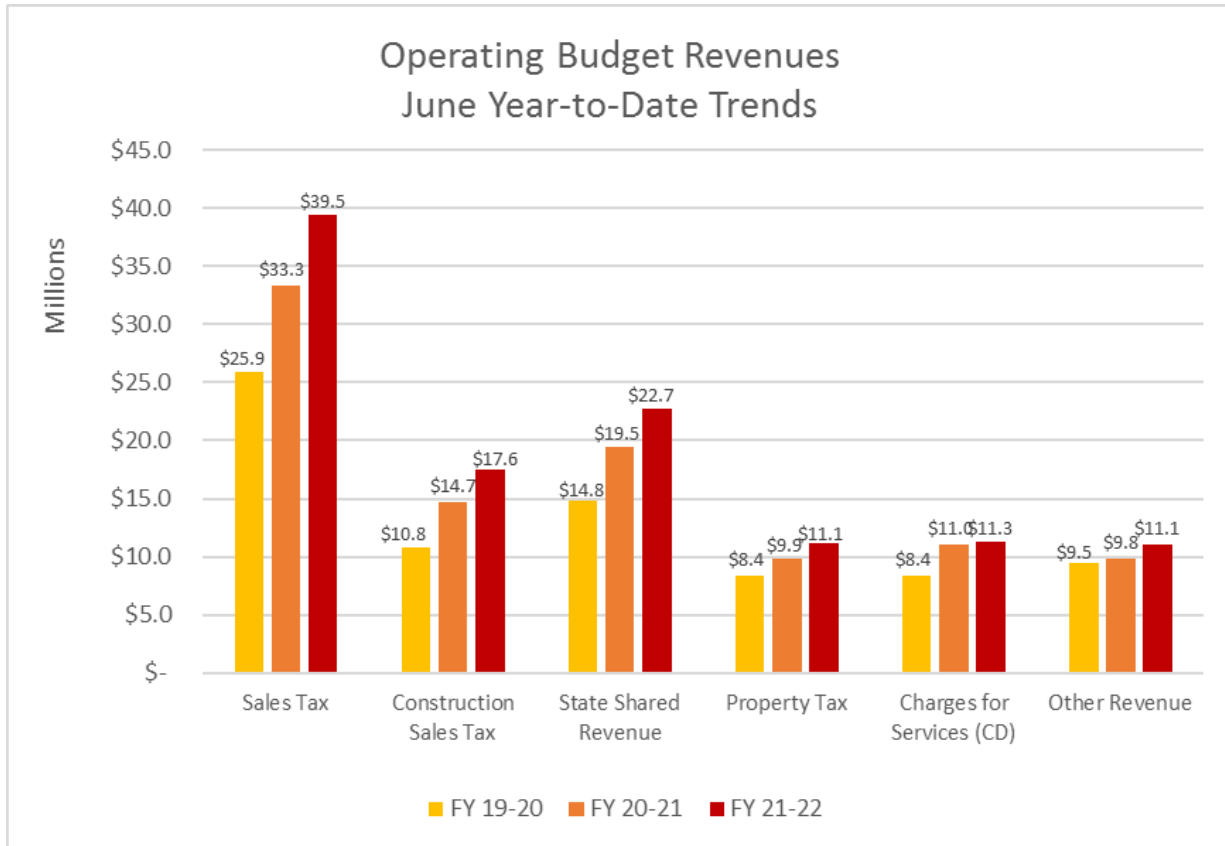
	FY 21-22 Total Adopted Budget	FY 21-22 Total Revised Budget	FY 21-22 Year-to-Date Budget	FY 21-22 Year-to-Date Actual
Revenues	\$ 95,823,650	\$ 105,860,671	\$ 105,860,671	\$ 113,222,644
Expenses	76,565,289	85,634,991	85,634,991	72,626,329
Operating Results	\$ 19,258,361	\$ 20,225,680	\$ 20,225,680	\$ 40,596,315
Transfers Out:				
Debt Service	\$ 8,026,251	\$ 8,055,192	\$ 8,055,192	\$ 8,055,192
CIP	4,856,300	11,317,359	11,317,359	10,882,686
Net Transfers Out	\$ (12,882,551)	\$ (19,372,551)	\$ (19,372,551)	\$ (18,937,878)
Net Operating Results	\$ 6,375,810	\$ 853,129	\$ 853,128	\$ 21,658,436
Beginning Fund Balance	\$ 81,365,269	\$ 92,404,970		\$ 92,404,970
Ending Fund Balance	\$ 87,741,079	\$ 93,258,099		\$ 114,063,406
25% Revenue Reserve	\$ 25,512,450	\$ 25,512,450		\$ 29,627,958
Police Unfunded Pension Liability Reserve	25,232,142	26,334,929		26,334,929
ASRS Unfunded Pension Liability Reserve	18,503,805	19,409,088		15,940,217
HURF Funds Reserved by Statute	-	-		1,678,305
Road Replacement Funding Reserve	-	-		500,000
Allowance for Carry-Forward Encumbrances	-	-		6,368,705
Available Fund Balance	18,492,682	22,001,632		33,613,292
Total Fund Balance	\$ 87,741,079	\$ 93,258,099		\$ 114,063,406

June 2022 Year-to-Date Results

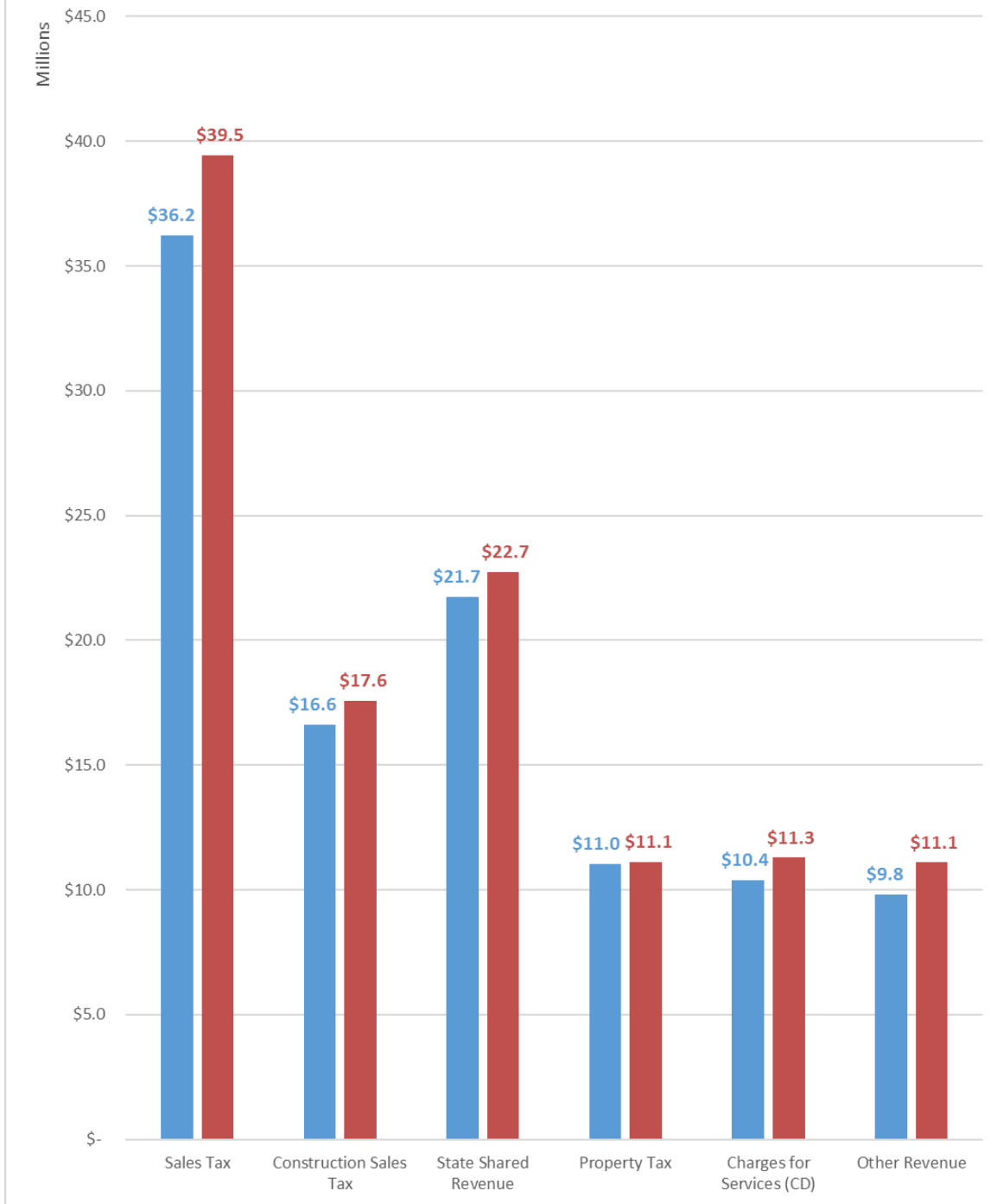
	<u>YTD</u>	<u>YTD</u>	<u>\$ Variance</u>	<u>% Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	
Revenues				
Sales Tax	\$ 36,227,109	\$ 39,450,751	\$ 3,223,642	9%
Construction Sales Tax	16,623,000	17,558,679	935,679	6%
State Shared Revenue	21,747,963	22,727,891	979,928	5%
Property Tax	11,045,515	11,111,319	65,804	1%
Charges for Services (CD)*	10,400,000	11,283,801	883,801	8%
Other Revenue	9,817,084	11,090,203	1,273,119	13%
Total Revenues	\$ 105,860,671	\$ 113,222,644	\$ 7,361,973	7%
Expenditures				
Salaries & Benefits	\$ 40,105,184	\$ 39,996,764	\$ 108,420	0.3%
Supplies & Services	31,192,417	23,549,466	7,642,951	25%
Maricopa County Sheriff	3,925,000	3,758,144	166,856	4%
Capital Outlay	10,412,391	5,321,956	5,090,435	49%
Total Expenditures	\$ 85,634,991	\$ 72,626,329	\$ 13,008,662	15%

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

Revenue Analysis



Operating Revenue FYTD June: +7.3M (+7%)
\$105.9M FY21-22 Budget to \$113.2M FY21-22 Actual



Overall, actual revenues showed a 7% favorable variance compared to the revised budget. The variances of the Revenue Categories are explained below.

Sales Tax

Sales tax revenue for FY 21-22 ended the year \$3.2M or 9% above budget. This positive performance is attributed to the Town’s fast-growing population, growth in e-commerce from more residents shopping online rather than at stores in other cities, 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 was \$936K or 6% above the revised budget. This positive variance reflects a continuation of the strong residential and commercial construction activity that the Town has seen over the last three years. Please refer to the Sales Tax Report (Appendix 1) for additional information on construction sales tax activity.

State-Shared Revenue

State-Shared Revenue was \$980K or 5% above the revised budget. The State of Arizona as a whole is experiencing better-than-expected performance in sales tax activity. When combined with Queen Creek’s population growth, this has increased the Town’s share of state TPT distributions compared to prior years. In contrast, the estimates for the Town’s share of HURF and Vehicle License Tax were lowered in February due to lower than expected distributions, which appears to be a statewide trend partially due to lingering effects of the COVID-19 pandemic.

Property Tax

Property tax revenue for the year was \$66K or 1% above budget. The Town receives the majority of its property tax distributions in October and November, and the remainder in April and June, due to Arizona’s statutes that allow property owners to pay their annual property taxes in two installments.

Charges for Services – Community Development (CD)

Charges for Services-CD accounts for planning, engineering and building permit revenues. Fiscal year 21-22 CD revenue to date is favorable by \$884K or 8%, as presented in the following schedule:

June 2022 YTD Community Development Detailed Revenues

Charges for Services (CD)	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Planning Revenue	\$ 250,000	\$ 317,058	\$ 67,058	27%
Engineering Revenue	1,750,000	1,909,953	159,953	9%
Building Permit Revenue	<u>8,400,000</u>	<u>9,056,791</u>	<u>656,791</u>	<u>8%</u>
Total Charges for Services (CD)	\$ 10,400,000	\$ 11,283,801	\$ 883,801	8%

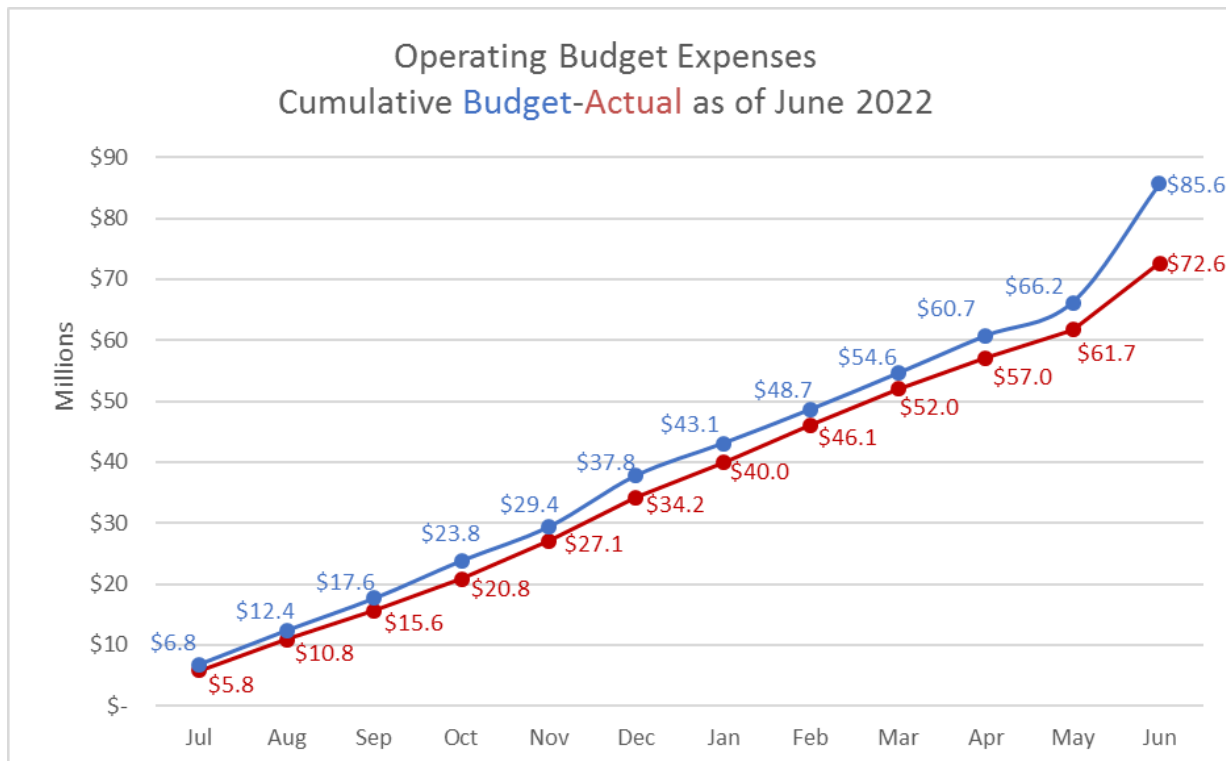
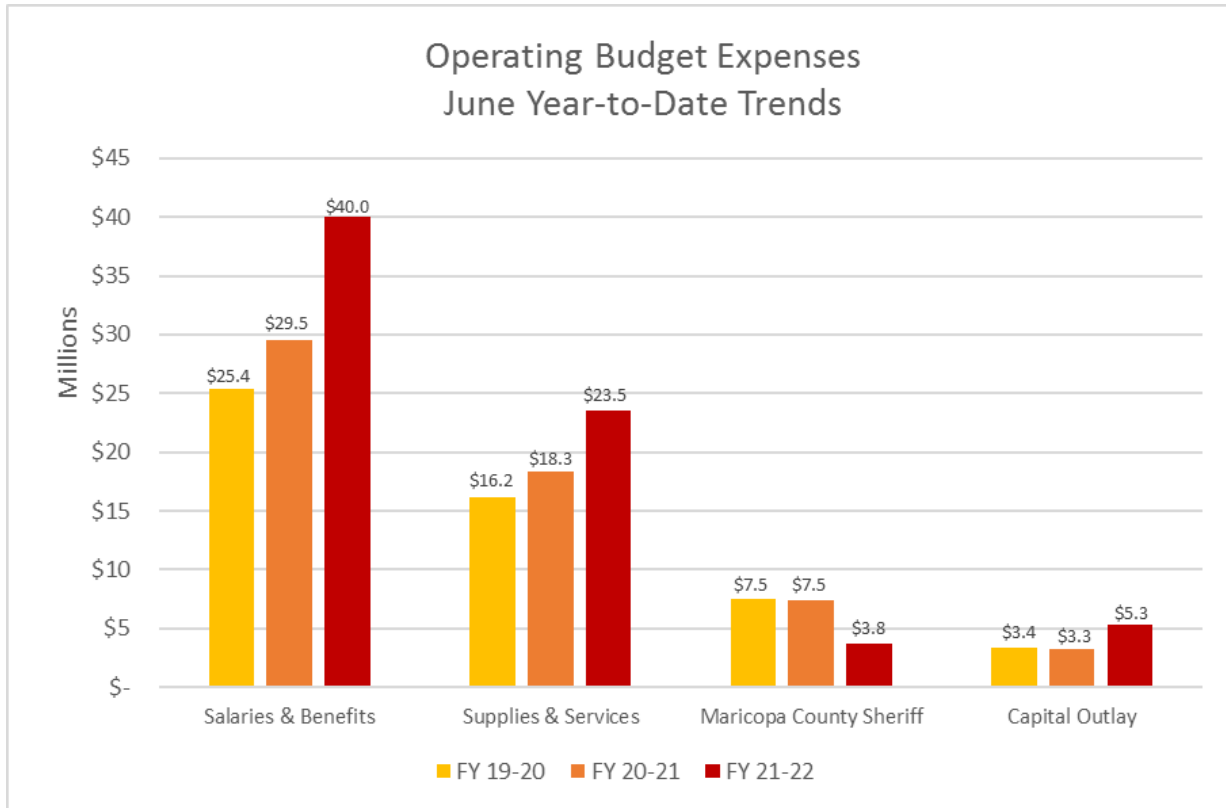
Similar to construction sales tax, CD revenue is tied to new and proposed development activity in the town for new subdivisions, commercial developments, and annexations. The FY 21-22 revised budget included an estimate of 1,801 new single-family permits, which is lower than the record 2,223 permits issued last fiscal year but still reflective of continued and strong development activity. In June, the Town issued 133 single-family building permits, bringing the fiscal year total to 1,767 permits. While this amount was 34 units less than expected, multi-family units made up for this difference. For FY 21-22, the Town issued permits for 965 multi-family units compared to an expected total of only 220 units. Because, based on the latest census information, the same number of people live in a multi-family unit as a single-family home, the population projection was correct. This nuance marks a significant change for the Town whereby both single-family and multi-family development will contribute to our population growth in the future.

Other Charges for Services

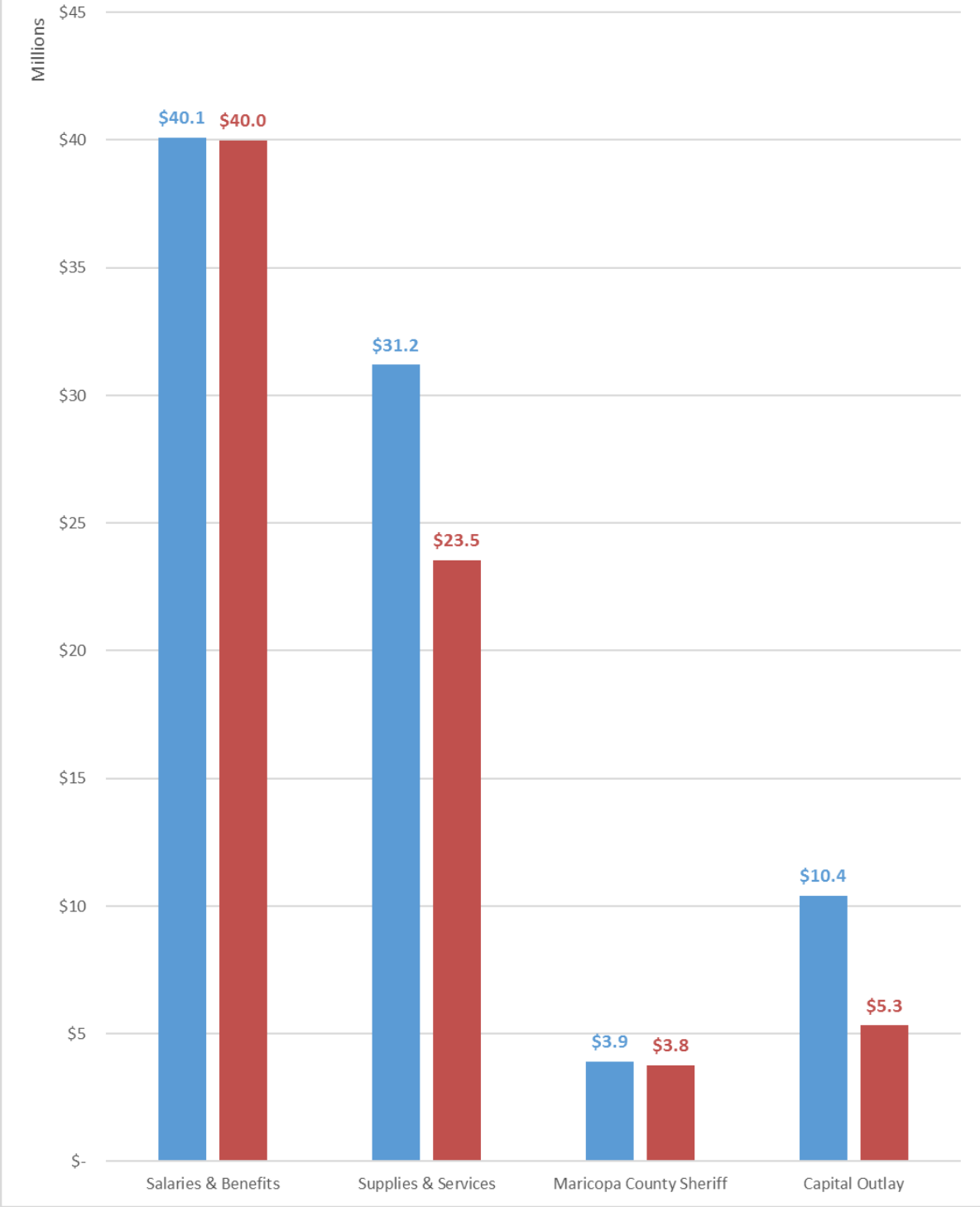
Other Charges for Services is comprised of a number of different sources and ended the fiscal year with a \$1.3M or 13% positive variance. A portion of this variance is due to higher than expected revenues from the Town's Recreation and HPEC activities. Recreation fees were \$304K or 69% above budget due to stronger than expected demand for recreation classes and rentals of Town facilities. HPEC revenues were \$137K or 15% above budget due to strong attendance at popular events such as Roots 'n Boots and Art of the Cowgirl. Additionally, the Town has received \$242K or 121% more in investment income to date than expected due to maturity of older investments that were purchased prior to the drop in interest rates caused by the COVID-19 pandemic. Finally, the Town has received \$244K in insurance recovery funds related to storm damage and vehicle accident claims and a one-time dividend of \$266K from the Town's insurance provider.

Other revenues in this category include Utility ROI and Utility Franchise Fees from the Town's Water and Sewer utility operations, which together account for \$3.5M or 32% of the Other Revenue category. Departmental Support Revenue accounts for an additional \$1.7M or 16% of the total revenue in this category.

Expense Analysis



Operating Expense FYTD June: +\$13.0M (+15%)
\$85.6M FY21-22 Budget to \$72.6M FY21-22 Actual



For the fiscal year, expenditures showed a favorable variance of 15% under budget. The variances of the Expenditure Categories are explained below.

Salaries and Benefits

Salaries and Benefits expenses in this report show a year-end positive variance of only \$108K or 0.3%. This small variance is due an “extra” pay period in the fiscal year that was not anticipated in the adopted budget. A normal budget includes 26 pay periods every fiscal year; however, every 11 years employers with bi-weekly pay periods incur a 27th pay period because of how the payroll dates align with the annual calendar. This extra pay period for the Town was inadvertently left out of the adopted budget. With the final pay period of the year falling on June 30, 2022 this year, the FY 21-22 budget incurred an additional \$1.5M of personnel expenses that were not anticipated or budgeted. These extra costs were covered with vacancy savings that had accrued throughout the year due to staff turnover and lead times for filling new positions. Without the 27th pay period, the budget would have shown a \$1.6M or 4% positive variance.

Supplies and Services

Supplies and Services expenses ended the fiscal year \$7.6M or 25% below budget. Of this amount, \$1.4M of purchase orders and unfinished projects were carried forward into FY 22-23. Most of these carry-forward items were the result of global supply-chain disruptions that hampered the Town’s ability to acquire needed supplies and materials on time in areas such as information technology, traffic, public safety, and streets maintenance. Another \$155K in savings was realized from reduced travel and training costs where remote learning and virtual conferences continued to be the dominate forms of training due to the lingering pandemic. In addition, savings of \$332K came from lower than expected costs of general supplies and small equipment across multiple departments.

Savings in other areas of the Operating Budget included the following:

1. HURF/Streets Maintenance, \$1.8M – Supply-chain and labor shortage issues hampered some contractors’ abilities to complete scheduled maintenance projects. These projects will continue next fiscal year using FY 22-23 available funds in the HURF Fund.
2. Police, \$1.2M – The adopted FY 21-22 budget included a full year of funding for many of the Police Department’s supplies and contracts to ensure the new department had sufficient funding to get off the ground. Examples include dispatch services, liability insurance, jail fees, vehicle maintenance & fuel, and software maintenance. With the department operating for only 6 months, most of these savings were expected.
3. Traffic, \$583K – The Traffic Division had several planned lighted sign replacements and traffic signal upgrades that were not completed as a result of supply chain disruptions that delayed delivery of needed equipment. Also, the Town is in the middle of a traffic signal optimization project that did not finish by June 30 and will continue into next fiscal year. Finally, costs of repairs and maintenance were less than budgeted due to fewer system failures and fewer repairs from traffic accidents than expected.
4. Economic Development Agreements, \$478K – This year’s budget included \$1.5M of budget authority for commitments under the development agreement tied to the property on which the Costco and other retail developments will be built. Actual expenses were less than expected because no developments on the property other than Costco received building permits this year, resulting in a savings. Future years’ budgets will accommodate the remaining commitments to this property until the full \$1.5M commitment is fulfilled.
5. Finance, \$378K – This savings comes from significantly reduced credit card fees and is a direct result of the Town Council’s decision to require customers of Development Services to pay a service fee if they choose to use a credit card to pay for their permits and fees. This new policy went into effect in January 2022.

6. Information Technology, \$327K – Similar to Police, some of the savings in IT were related to including a full year of budget authority for new software and the related maintenance agreements. With start-up leads times for new software implementations, some budgetary savings was expected. The Town also realized savings in contracts for security and software implementation.
7. Facilities Maintenance, \$255K – The Facilities budget realized savings in several areas including fewer requirements for deep cleaning services as there was less personnel and foot traffic in Town facilities than expected, as well as lower than expected costs of maintenance and repairs of town facilities. The Town also benefited from advanced purchases of additional quantities of consumable products in the prior fiscal year due to availability concerns related to the pandemic, which lowered the need for current-year purchases of these items.
8. Human Resources, \$141K – Savings in HR was a combination of lower than expected costs of Police recruitments and lower than expected costs paid to the consultant for the recently completed Compensation and Classification Study.

Maricopa County Sheriff

The Maricopa County Sheriff contract ended with a favorable variance of \$167K or 4%. With the MCSO contract officially ending on January 10, 2022, the Town closed out the contract with MCSO and made the final payments to the county in February.

Capital Outlay

Capital Outlay expenses for the year show a favorable variance of \$5.1M or 49%. The budgets in this category are for one-time purchases related to major equipment and special projects. Similar to Supplies and Services, vendors for capital items continue to struggle with supply-chain issues due to lingering effects of the COVID-19 pandemic, which means the timing of delivery for items such as vehicles and related equipment is often uncertain. At the end of the fiscal year, all but \$60K of this savings was made up of outstanding purchase orders and unfinished projects that were carried forward into FY 22-23, with a corresponding adjustment to next year's budget.



TOWN OF
QUEEN CREEK
ARIZONA

FY 21-22 Year to Date Sales Tax Report

FY 21-22 Business Activity through May 2022*

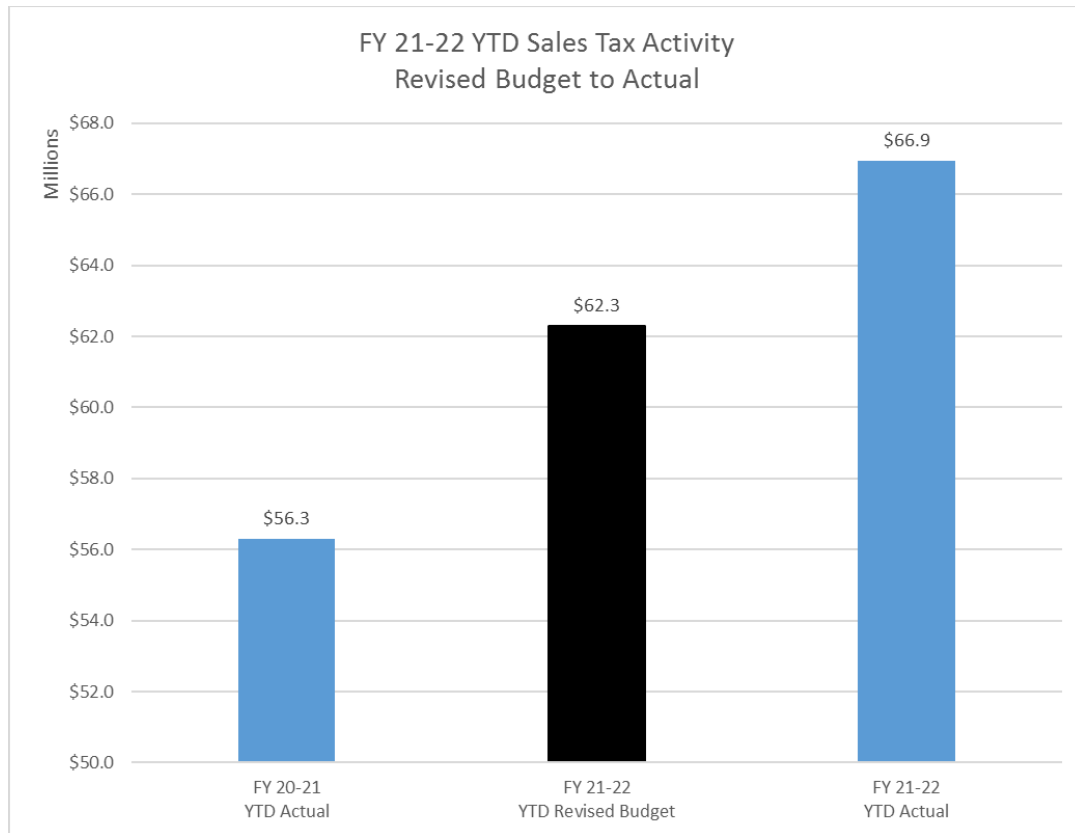
Issued August 2022

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 21-22 SALES TAX ACTIVITY

OVERALL PERFORMANCE SUMMARY:

The May 2022 sales tax revenue year-to-date total of \$66.9M exceeds the revised budget by 7%, or \$4.7M. Relative to the same period in FY 20-21, FY 21-22 actuals are 19%, or \$10.6M higher than the previous year.



Sales Category	FY 20-21 YTD Actual	FY 21-22 YTD Revised Budget	FY 21-22 YTD Actual	FY 21-22 YTD Revised Budget-To-Actual		FY 20-21 YTD Actual to FY 21-22 YTD Actual	
				\$ Variance	% Variance	\$ Increase	% Increase
Construction	\$ 25,006,646	\$ 28,215,466	\$ 29,546,838	\$ 1,331,372	5%	\$ 4,540,192	18%
Retail Trade	\$ 21,009,714	23,243,236	25,416,656	2,173,420	9%	4,406,941	21%
Communications & Utilities	\$ 1,834,887	1,929,382	1,953,790	24,408	1%	118,903	6%
Restaurant & Bar	\$ 4,188,009	4,438,901	4,881,530	442,629	10%	693,521	17%
Real Estate, Rental & Leasing	\$ 2,044,046	2,147,118	2,388,134	241,016	11%	344,087	17%
All Others**	\$ 2,206,262	2,308,677	2,749,137	440,460	19%	542,875	25%
Totals	\$ 56,289,564	\$ 62,282,779	\$ 66,936,084	\$ 4,653,306	7%	\$ 10,646,520	19%

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

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

ANALYSIS

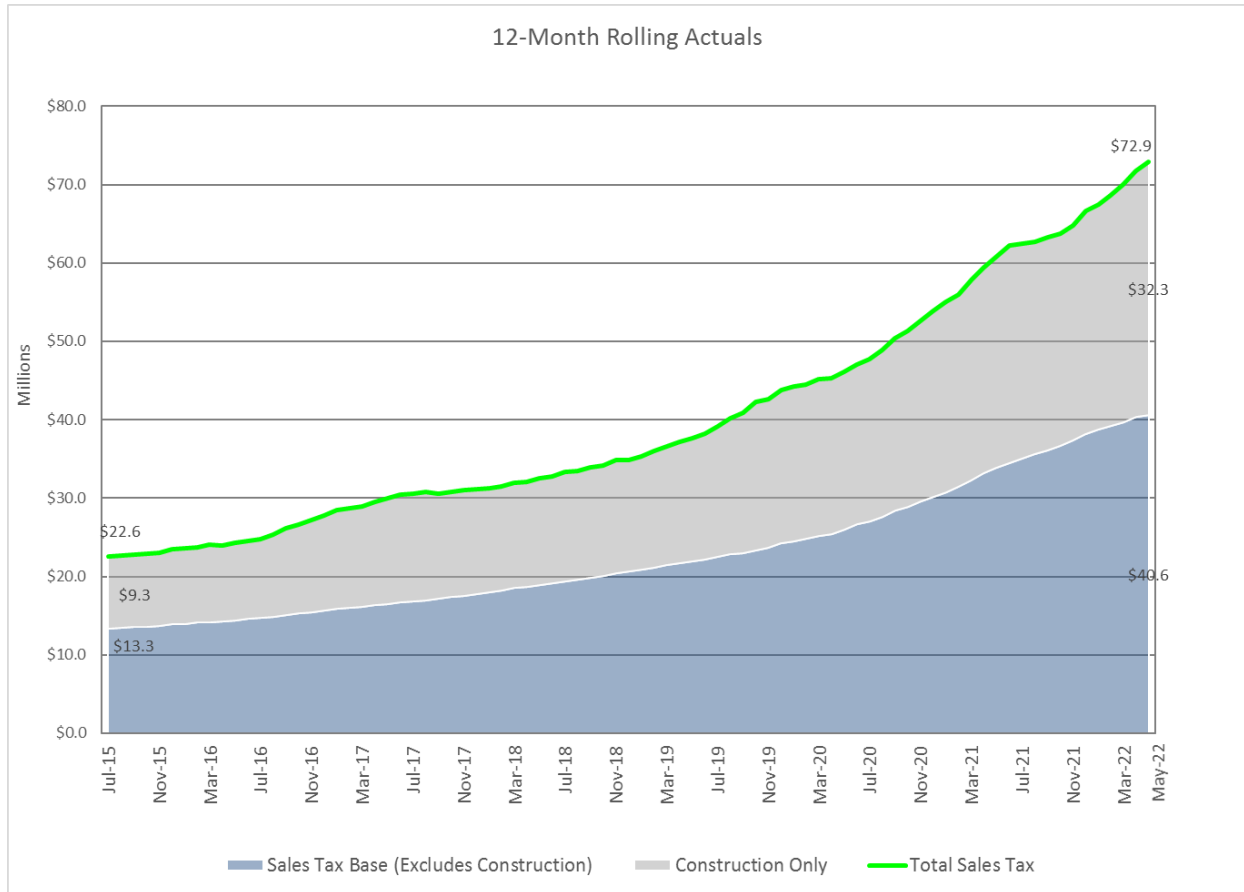
Town of Queen Creek sales tax collections are positively impacted by the high incomes of Town households. Per the 2020 American Communities Supplemental Survey data provided by the U.S. Census, Queen Creek's median household income is \$104,161, which is among the highest in the region for full-service 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. Based on a study from Elliott Pollack & Company, about 27% of sales tax collections in the retail category and about 50% in the restaurant and bar category as of FY 18-19 are from non-Queen Creek residents spending in the Town.

May sales tax collections in FY 21-22 were higher than in FY 20-21. The strong levels of sales tax collections can be attributed to the 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.

In recent months, inflation levels have risen along with the price of goods. The higher prices of goods are anticipated to cause further increases in sales tax collections for the Town for the foreseeable future.

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.

May 2022 Actuals: \$3.6M

FY 21-22 YTD Actuals: \$29.5M

FY 21-22 YTD Revised Budget to Actual Variance of \$1.3M or 5%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$4.5M or 18%

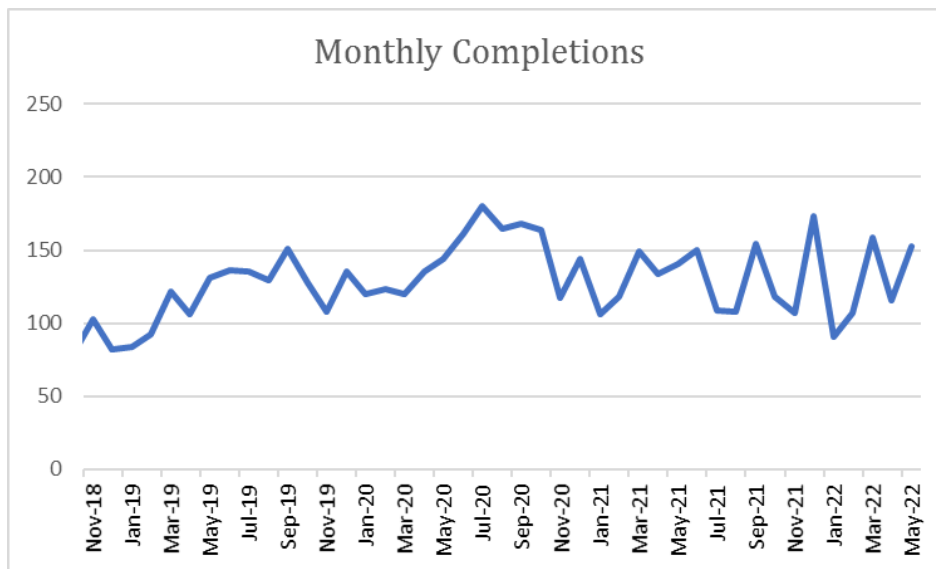
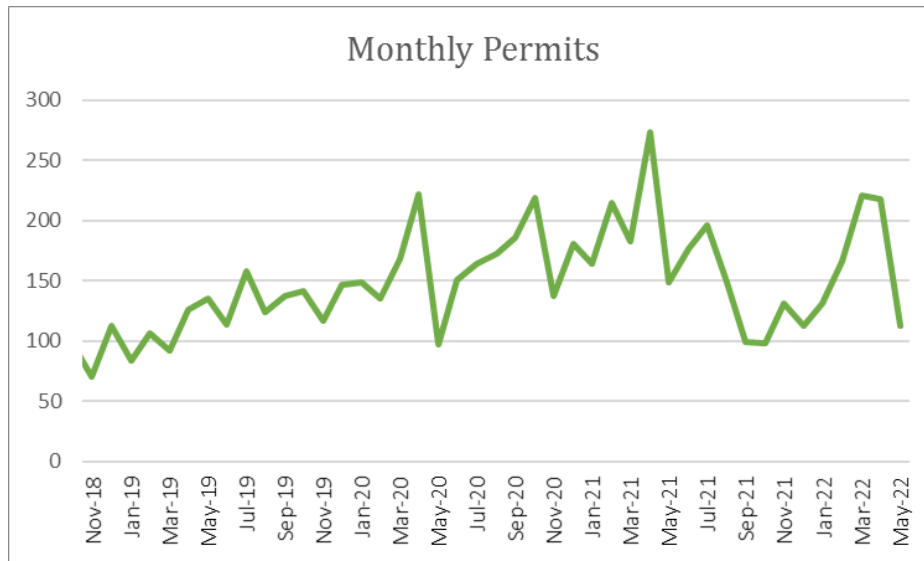
FY 21-22 collections are about equal with the FY 21-22 revised budget and are slightly higher than the prior fiscal year actuals through May activity.

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 May. Homebuilders have been impacted by supply chain issues stemming from the COVID-19 pandemic, as well as increasing home prices throughout the greater Phoenix region. The number of permits issued in May 2022 was lower than in prior months. Town staff is monitoring single family home permit applications, permit issuances, and closings to better understand how the aforementioned factors are impacting the Town’s single family home market.

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 (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 20-21 TOQC NSF Permits Issued	151	164	173	186	219	138	181	164	215	183	274	149	2,197	183
FY 21-22 TOQC NSF Permits Issued	177	196	149	99	98	131	113	131	166	221	218	113	1,812	151
12-Month Rolling NSF Home Completions	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total	Mo. Avg.
FY 20-21 TOQC NSF Completions	161	180	165	168	164	117	144	106	118	149	134	141	1,747	146
FY 21-22 TOQC NSF Completions	150	109	108	154	118	107	173	91	107	159	116	153	1,545	129

Appendix 1: Queen Creek Monthly Sales Tax Report



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 May with an average sales price of \$651K for these homes. Overall, the Town made up 4.5% 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
MATTAMY HOMES	37	\$ 590,796	\$ 21,859,469
WILLIAM LYON HOMES	27	\$ 558,336	\$ 15,075,059
TAYLOR MORRISON	17	\$ 707,558	\$ 12,028,493
FULTON HOMES	14	\$ 518,904	\$ 7,264,652
ASHTON WOODS HOMES	8	\$ 880,624	\$ 7,044,993
TOLL BROTHERS	7	\$ 971,174	\$ 6,798,220
LANDSEA HOMES	5	\$ 514,526	\$ 2,572,631
GEHAN HOMES	3	\$ 503,703	\$ 1,511,109
MERITAGE HOMES	3	\$ 579,123	\$ 1,737,370
DAVID WEEKLEY HOMES	3	\$ 839,339	\$ 2,518,016
LUXE HOMES	3	\$ 1,103,311	\$ 3,309,933
BEAZER HOMES	3	\$ 515,293	\$ 1,545,880
CRESLEIGH HOMES	2	\$ 436,058	\$ 872,115
ELLIOTT HOMES	1	\$ 671,850	\$ 671,850
MISC CUSTOM	1	\$ 2,417,800	\$ 2,417,800
GRAND TOTAL	134	\$ 650,952	\$ 87,227,590

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 2022 Actuals: \$2.3M

FY 21-22 YTD Actuals: \$25.4M

FY 21-22 YTD Revised Budget to Actual Variance of \$2.2M or 9%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$4.4M or 21%

FY 21-22 YTD collections in the retail category exceeded the FY 21-22 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 4,380 total payers in the retail category delivered 62% of the revenue. The top 10 payers in the category account for 52% of the total.

High inflation has a direct impact on the collections in the retail category. Retail sales tax collections increase as prices rise, but collections are also impacted by changes in consumer behavior that may come as a result of those increased prices (buying less items, switching to generic brands, etc.).

Of the total retail sales tax collections in May, \$430K is estimated to come from e-commerce transactions. May 2022 e-commerce sales tax collections are 27% higher than collections in May 2021. This growth can be attributed to an increase in e-commerce reporters due to increased compliance with the Wayfair legislation passed in October 2019, as well as an increase in e-commerce sales overall.

COMMUNICATIONS/UTILITIES:

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

May 2022 Actuals: \$187K

FY 21-22 YTD Actuals: \$2.0M

FY 21-22 YTD Revised Budget to Actual Variance of \$24K or 1%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$119K or 6%

Year-to-date collections in the communications/utilities category are in line with the revised FY 21-22 budget and slightly higher than prior year collections.

RESTAURANTS & BARS:

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

May 2022 Actuals: \$488K

FY 21-22 YTD Actuals: \$4.9M

FY 21-22 YTD Revised Budget to Actual Variance of \$443K or 10%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$694K or 17%

This category is above the current year revised budget and prior year actual collections. Performance in this category has been strong for existing restaurants and bars and new restaurants and bars continue to open in the Town.

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 2022 Actuals: \$228K

FY 21-22 YTD Actuals: \$2.4M

FY 21-22 YTD Revised Budget to Actual Variance of \$241K or 11%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$344K or 17%

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, accommodations, manufacturing, wholesale trade, finance and insurance, services, and arts and entertainment. Use tax is also included in this category.

May 2022 Actuals: \$209K

FY 21-22 YTD Actuals: \$2.7M

FY 21-22 YTD Revised Budget to Actual Variance of \$440K or 19%

FY 21-22 YTD Actual to FY 20-21 YTD Actual Increase of \$542K or 25%

Appendix 1: Queen Creek Monthly Sales Tax Report

This category is above the current year revised budget and prior year actual collections. The arts and entertainment and services categories have performed better than anticipated due to the opening of new businesses in the Town. Use tax collections are also higher year-to-date in FY22 than in FY21.

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:

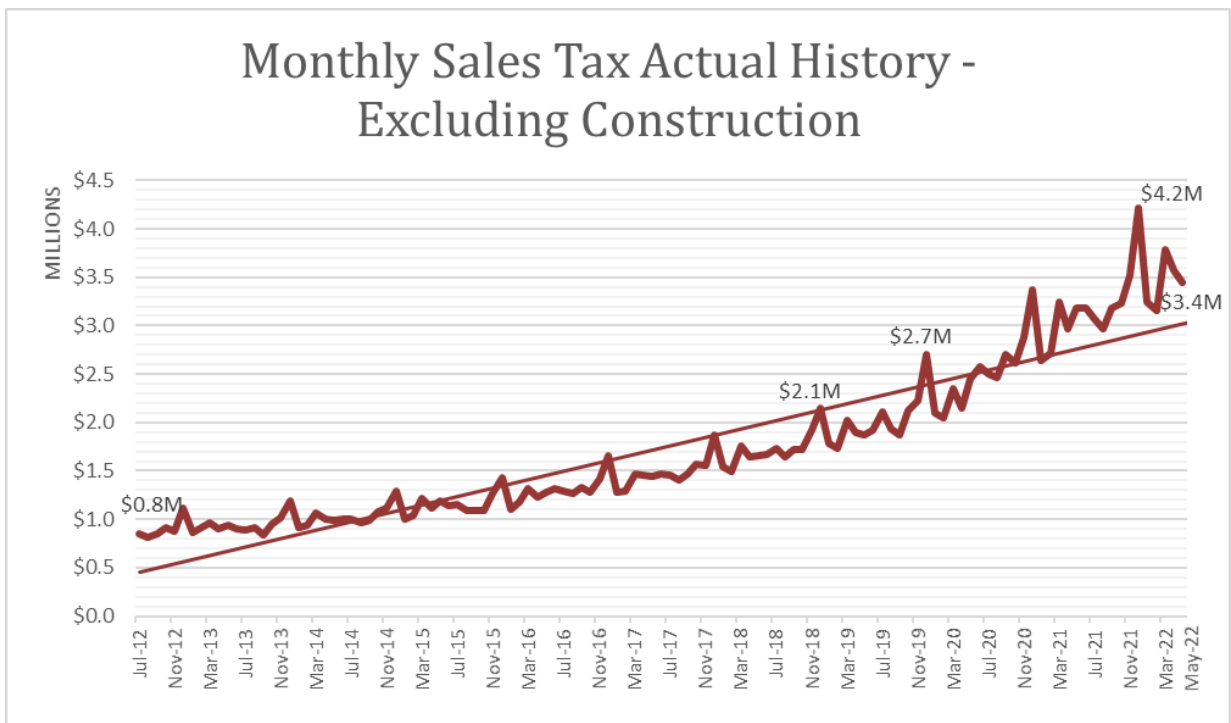
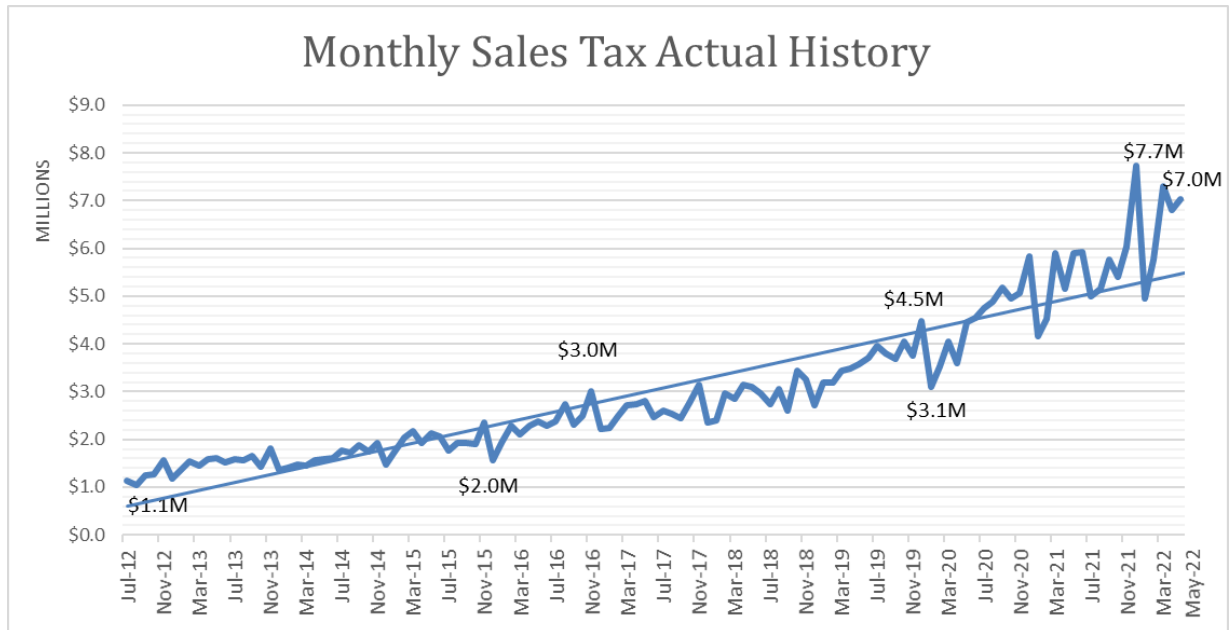
- 2.0% tax rate charged on all taxable activities within Town limits
 - Dedicated to the General Fund for general purpose government operations
- 0.25% tax rate charged on all taxable activities within Town limits
 - Dedicated to the Emergency Services (EMS) Fund to fund law enforcement and fire and 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%

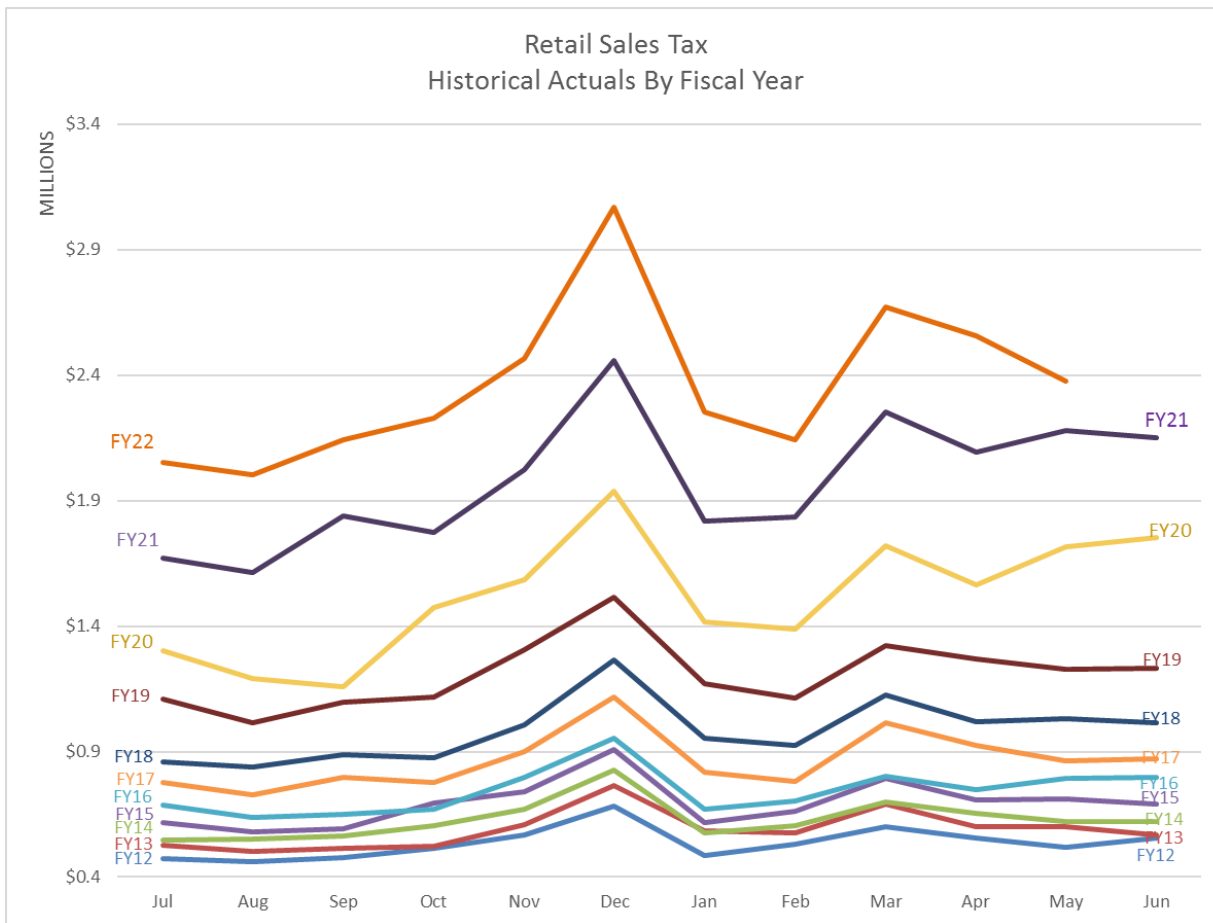
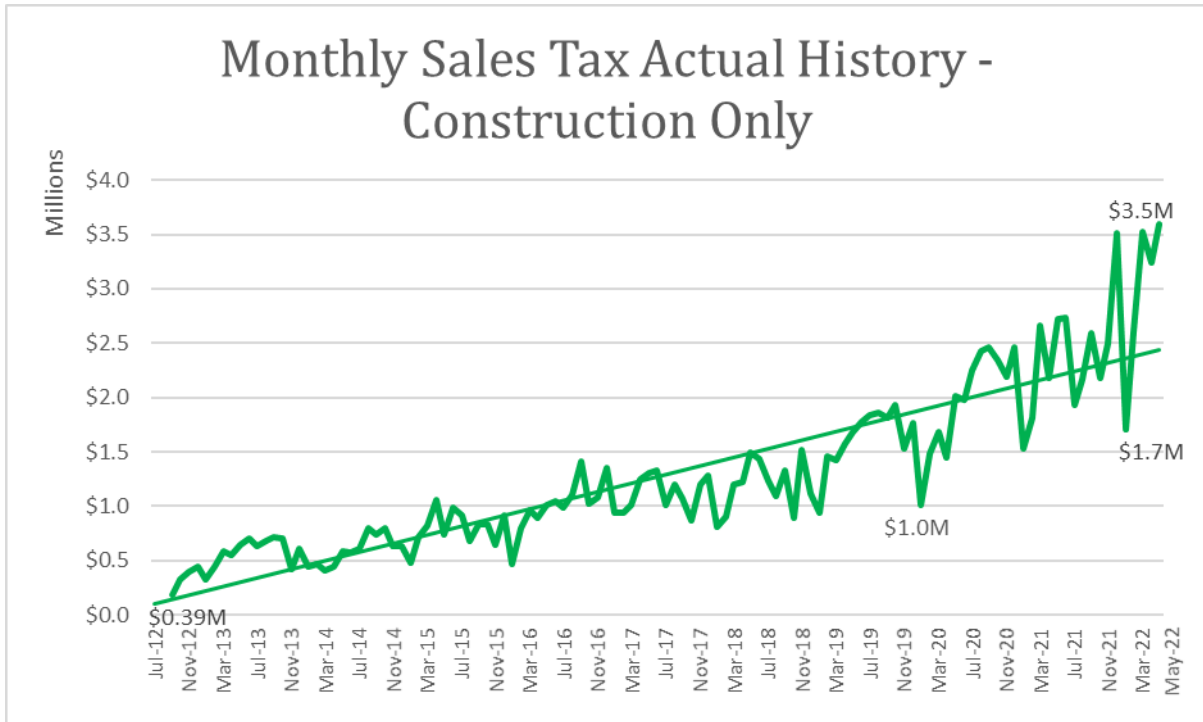
Revenue by Fund	YTD	% of Total
General Fund	\$ 45,795,779	68.4%
EMS Fund	5,724,472	8.6%
Town Center Fund	1,511,437	2.3%
Construction Fund	13,904,394	20.8%
Totals	\$ 66,936,081	100.0%

Operating Budget	Jul	Aug	Sept	Oct	Nov	Dec
General Fund	\$ 3,550,774	\$ 3,583,227	\$ 3,949,734	\$ 3,804,464	\$ 4,213,662	\$ 5,119,857
EMS Fund	\$ 443,847	\$ 447,903	\$ 493,717	\$ 475,558	\$ 526,708	\$ 639,982
Total Operating Budget	\$ 3,994,620	\$ 4,031,130	\$ 4,443,451	\$ 4,280,022	\$ 4,740,370	\$ 5,759,840
Operating Budget	Jan	Feb	March	April	May	FY21-22 YTD
General Fund	3,577,730	\$ 3,948,447	\$ 4,918,780	\$ 4,610,608	\$ 4,518,496	\$ 45,795,779
EMS Fund	447,216	\$ 493,556	\$ 614,848	\$ 576,326	\$ 564,812	\$ 5,724,472
Total Operating Budget	\$ 4,024,946	\$ 4,442,003	\$ 5,533,628	\$ 5,186,934	\$ 5,083,309	\$ 51,520,251

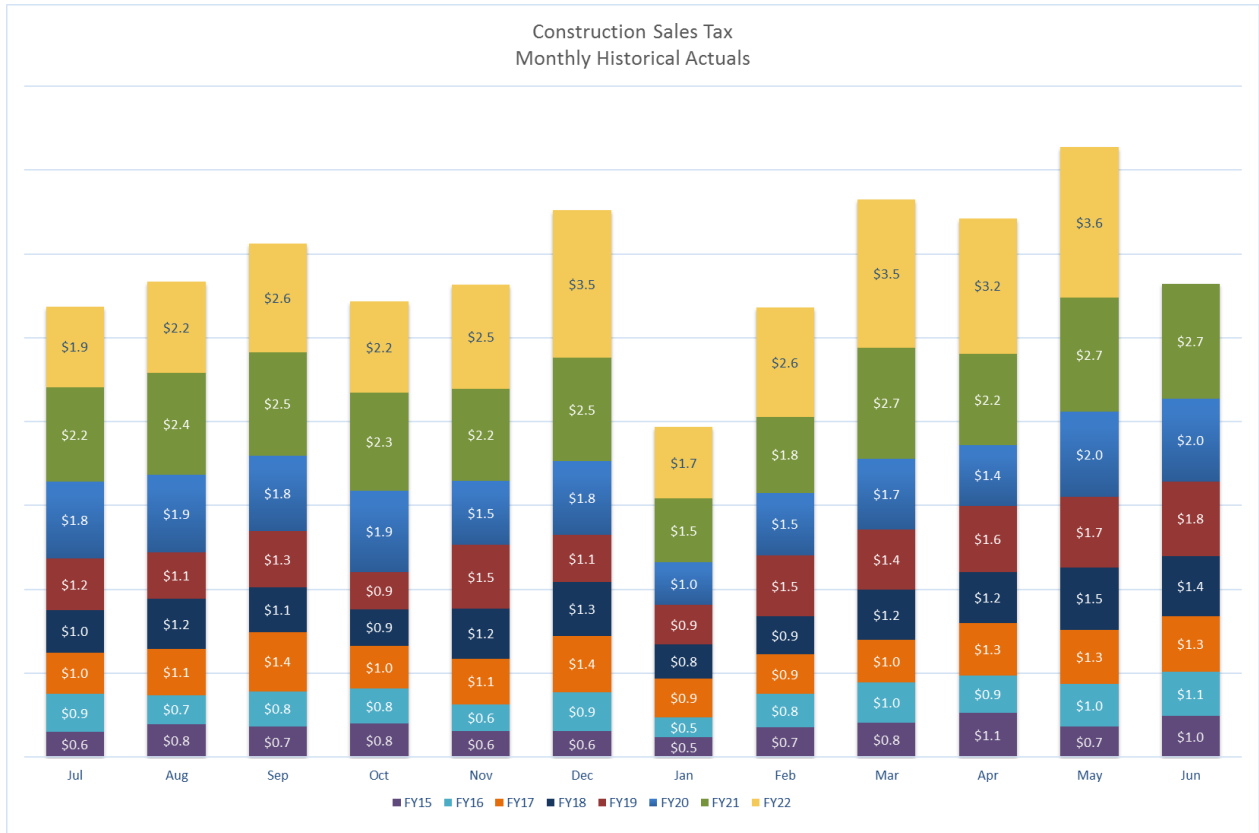
Historical Performance



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%	All Others
Use Tax from Inventory	QC	030	2.25%	All Others
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