



TEAM FLAGSTAFF



Sales Tax and Revenue Update

Flagstaff City Council Meeting
September 28, 2020





General Fund Revenues – June 2020: 4th Qtr

- Hotels/Motels/STR: **62% decline** April-June versus prior year
- Restaurants/Bars: **31% decline** April-June vs prior year
- Pers Prop Rental: **22% decline** April-June vs prior year
- Retail: **17% increase** April-June vs prior year
- Construction Contracting: **41% increase** April-June vs prior year
- Non-City Sales Tax Areas:
 - State Shared Sales Tax **-8%**, Auto Lieu **-31%**,
Charges for Services **-35%**, Building Permits **+76%**,



General Fund Revenues: June 2020

Category	February		Preliminary		Versus Budget	Versus Estimate
	FY 2019-20 Budget	FY 2019-20 Estimate	FY 2019-20 Actual			
Sales Taxes Total	\$ 22,666,468	\$ 21,555,200	\$ 22,157,059	\$ (509,409)	\$ 601,859	
State Shared Revenues						
State Shared Sales Tax	\$ 7,182,893	\$ 7,400,000	\$ 7,485,660	\$ 302,767	\$ 85,660	
State Shared Urban Revenue	9,451,184	9,564,600	9,564,616	113,432	16	
Auto Lieu Tax	3,237,360	3,500,000	3,287,875	50,515	(212,125)	
State Shared Total	\$ 19,871,437	\$ 20,464,600	\$ 20,338,151	\$ 466,714	\$ (126,449)	
Other Revenues						
Property Taxes	\$ 6,906,500	\$ 6,906,500	\$ 6,764,723	(141,777)	(141,777)	
Franchise Fees	2,585,889	2,425,000	2,297,638	(288,251)	(127,362)	
Building Permits	1,650,000	2,100,000	3,327,189	1,677,189	1,227,189	
Other License and Permits	1,056,716	1,056,700	1,609,354	552,638	552,654	
Other Intergovernmental Revenue	1,257,668	1,257,668	1,208,023	(49,645)	(49,645)	
Charges for Services	3,267,437	3,267,400	2,950,890	(316,547)	(316,510)	
Fines and Forfeitures	1,420,489	1,420,500	1,218,580	(201,909)	(201,920)	
Investment Earnings	350,000	371,800	327,000	(23,000)	(44,800)	
Total Other	\$ 18,494,699	\$ 18,805,568	\$ 19,703,397	\$ 1,208,698	\$ 897,829	
Total General Fund Revenues	\$ 61,032,604	\$ 60,825,368	\$ 62,198,607	\$ 1,166,003	\$ 1,373,239	

Excludes: Lease revenues, grants, contributions, miscellaneous, financing resources and transfers.



General Fund Sales Tax : June 2020

Category	February		Preliminary	Versus Budget	Versus Estimate
	FY 2019-20 Budget	FY 2019-20 Estimate	FY 2019-20 Actual		
Sales Taxes					
Utilities	\$ 1,112,945	\$ 1,050,000	\$ 1,035,117	\$ (77,828)	\$ (14,883)
Telecommunications	251,125	230,000	211,313	(39,812)	(18,687)
Restaurant/Bars	3,075,000	3,000,000	2,820,892	(254,108)	(179,108)
Amusements	114,800	106,000	85,907	(28,893)	(20,093)
Commercial Rental	1,200,000	1,050,000	1,066,063	(133,937)	16,063
Personal Property Rental	676,500	715,000	660,066	(16,434)	(54,934)
Contracting	2,146,900	1,700,000	1,991,518	(155,382)	291,518
Retail	10,762,500	10,600,000	11,340,823	578,323	740,823
Hotel/Motel/STR	1,537,500	1,600,000	1,353,303	(184,197)	(246,697)
Miscellaneous	130,698	104,200	102,059	(28,639)	(2,141)
Use Tax	1,658,500	1,400,000	1,489,998	(168,502)	89,998
Sales Taxes Total	\$ 22,666,468	\$ 21,555,200	\$ 22,157,059	\$ (509,409)	\$ 601,859
% Change vs Prior Estimate				-2.2%	2.8%



FY 2020-21 Update

- May 26 moved to the Significant Stage of the Economic Recession Plan: 5% to 10% or \$3.4M to \$6.7M
- Implemented a new revenue forecasting model
 - Looking at revenues month to month versus just annualized
 - 4 scenarios forecasts implemented
- July and August revenues posted
- Exceeding FY 2019-20 actuals and April projections



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“v” shaped recovery

- Rebound is swift, but not easy
- Short-term, quick fixes could bridge the gap to recovery



Big “V” recovery

- Downturn is deeper, but bounceback is rapid
- Short-term bridge strategies apply



“W” recovery

- A short-term recovery, but a return of infection in fall
- Longer-term strategies to endure and transform



“L” recovery

- Recovery is stalled by deeper economic woes
- Long-term transformation strategies needed asap





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	FY 2019-20 Actuals	FY 2020-21 Actuals		
	July/Aug	July/Aug	Variance	% Change
Sales Tax				
Utilities	\$ 144,338	\$ 150,254	\$ 5,916	4%
Telecommunications	43,706	30,908	\$ (12,798)	-29%
Restaurant/Bars	520,877	450,084	\$ (70,793)	-14%
Amusements	22,125	10,134	\$ (11,991)	-54%
Commercial Rental	198,324	222,147	\$ 23,823	12%
Personal Prop Rental	134,455	105,232	\$ (29,223)	-22%
Contracting	324,558	418,109	\$ 93,551	29%
Retail	2,015,369	2,331,832	\$ 316,463	16%
Hotel/Motel/STR	333,592	226,302	\$ (107,290)	-32%
Miscellaneous	13,315	15,648	\$ 2,333	18%
Use Tax	133,015	348,116	\$ 215,101	162%
Total	\$ 3,883,674	\$ 4,308,766	\$ 425,092	11%
State Shared Revenue				
Sales Tax	\$ 1,212,864	\$ 1,482,267	\$ 269,403	22%
Income Tax	1,594,102	1,787,330	\$ 193,228	12%
Auto Lieu Tax	610,428	756,583	\$ 146,155	24%
Total	3,417,394	4,026,180	608,786	18%

April Rec Proj FY 2020-21	FY 2020-21 Actuals		
July/Aug	July/Aug	Variance	% Change
\$ 164,800	\$ 150,254	\$ (14,546)	-9%
40,100	30,908	(9,192)	-23%
390,000	450,084	60,084	15%
18,100	10,134	(7,966)	-44%
178,500	222,147	43,647	24%
116,600	105,232	(11,368)	-10%
258,700	418,109	159,409	62%
1,746,700	2,331,832	585,132	33%
232,800	226,302	(6,498)	-3%
13,100	15,648	2,548	19%
117,600	348,116	230,516	196%
\$ 3,277,000	\$ 4,308,766	\$ 1,031,766	31%
\$ 1,051,149	\$ 1,482,267	\$ 431,118	41%
1,783,333	1,787,330	3,997	0%
569,733	756,583	186,850	33%
3,404,215	4,026,180	621,965	18%



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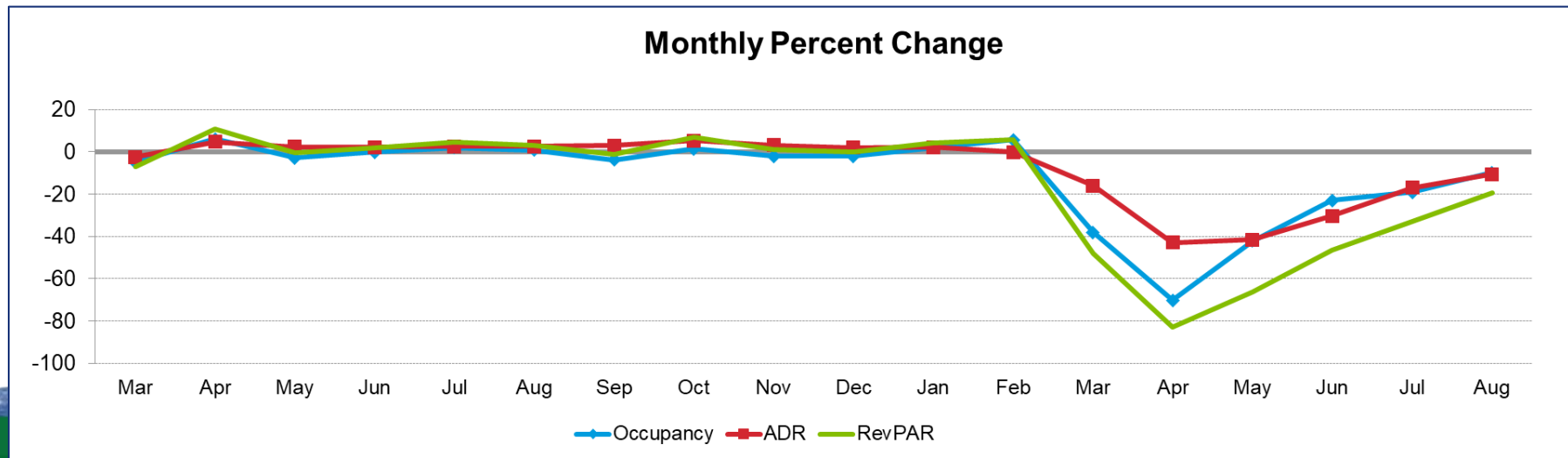
	Budget Adoption	Economy Returns, Then Another COVID	Weak Economy Early, Stronger Recovery	Weak Economy, Slow Recovery	Average of 3 Scenarios		
Category	FY 2020-21 Budget	Scenario 1 FY 2020-21	Scenario 2 FY 2020-21	Scenario 3 FY 2020-21	Scenario 4 FY 2020-21	Scenario 4 Compared to Budget	
Sales Taxes Total	\$ 22,054,670	\$ 20,797,200	\$ 22,421,900	\$ 20,509,500	\$ 21,242,800	\$ (811,870)	-3.7%
State Shared Revenues							
State Shared Sales Tax	\$ 7,486,395	\$ 7,495,300	\$ 7,731,700	\$ 7,385,700	\$ 7,537,500	\$ 51,105	0.7%
State Shared Urban Revenue	\$ 10,669,590	10,724,000	10,724,000	10,724,000	10,724,000	54,410	0.5%
Auto Lieu Tax	\$ 3,540,863	3,550,500	3,518,800	3,476,400	3,515,300	(25,563)	-0.7%
State Shared Total	\$ 21,696,848	\$ 21,769,800	\$ 21,974,500	\$ 21,586,100	\$ 21,776,800	\$ 79,952	0.4%
Property Taxes	\$ 6,967,500	\$ 6,817,500	\$ 6,967,500	\$ 6,717,500	\$ 6,834,200	\$ (133,300)	-1.9%
Franchise Fees	2,471,500	2,214,200	2,227,600	2,164,600	2,202,100	(269,400)	-10.9%
Building Permits	1,702,500	1,417,000	1,667,000	1,458,700	1,514,300	(188,200)	-11.1%
Other GF Revenues	7,585,100	5,636,100	6,959,465	5,046,700	5,880,800	(1,704,300)	-22.5%
	\$ 18,726,600	\$ 16,084,800	\$ 17,821,565	\$ 15,387,500	\$ 16,431,400	\$ (2,295,200)	-12.3%
Total General Fund Revenues	\$ 62,478,118	\$ 58,651,800	\$ 62,217,965	\$ 57,483,100	\$ 59,451,000	\$ (3,027,118)	-4.8%
Change vs Prior Estimate		\$ (3,826,318)	\$ (260,153)	\$ (4,995,018)	\$ (3,027,118)		
% Change vs Prior Estimate		-6.1%	-0.4%	-8.0%	-4.8%		

Excludes: Lease revenues, grants, contributions, miscellaneous, financing resources and transfers.



BBB Taxes

- BBB Taxes rely on Restaurants/Bars and Hotels/Motels/STRs
- Hardest hit during this pandemic
- FY 2019-20 Actuals 9.5% decline (\$877K)
- FY 2020-21 Scenarios 9% to 19% declines (\$810K-\$1.7M)





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Revenues: FY 2020-21 potential impacts

Funds	Low	High
General Fund	(\$ 260,000)	(\$ 5,000,000)
BBB Funds	(\$ 810,000)	(\$ 1,700,000)
Transportation Funds	\$ 170,000	(\$ 2,100,000)
ParkFlag Fund	(\$ 800,000)	(\$ 1,000,000)
Highway User Revenue Fund	(\$ 1,050,000)	(\$ 1,400,000)
Enterprise Funds	(\$ 1,800,000)	(\$ 3,900,000)
Total	(\$ 4,550,000)	(\$ 15,100,000)





State Shared Revenues

- FY 2021-22 State Shared Income Taxes \$1.0M loss
 - 1-year delay for impact
 - 2019 returns were not due until July
- Census impact uncertain – each 1,000 undercount
 - Sales Tax ~ \$ 113K loss
 - Income Tax ~ \$145K loss
 - Vehicle Tax ~ \$ 50K loss
 - HURF ~ \$ 77K loss



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Thank you!





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The following slides are informational only.





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General Fund Revenue Projections-April

Category	Budget Adoption	Economy Returns, Then Another COVID	Weak Economy Early, Stronger Recovery	Weak Economy, Slow Recovery	Average of 3 Scenarios	Scenario 4	
	FY 2020-21 Budget	Scenario 1 FY 2020-21	Scenario 2 FY 2020-21	Scenario 3 FY 2020-21	Scenario 4 FY 2020-21	Scenario 4 Compared to Budget	
Sales Taxes Total	\$ 22,018,300	\$ 20,313,800	\$ 20,720,900	\$ 19,614,600	\$ 20,216,400	\$ (1,801,900)	-8.2%
State Shared Revenues							
State Shared Sales Tax	\$ 7,486,400	\$ 7,190,500	\$ 7,116,400	\$ 6,905,000	\$ 7,070,700	\$ (415,700)	-5.6%
State Shared Urban Revenue	\$ 10,669,600	10,700,000	10,700,000	10,700,000	10,700,000	30,400	0.3%
Auto Lieu Tax	\$ 3,540,900	3,381,000	3,320,000	3,201,100	3,300,700	(240,200)	-6.8%
State Shared Total	\$ 21,696,900	\$ 21,271,500	\$ 21,136,400	\$ 20,806,100	\$ 21,071,400	\$ (625,500)	-2.9%
Franchise Fees	\$ 2,471,500	\$ 2,357,900	\$ 2,414,100	\$ 2,414,100	\$ 2,395,300	\$ (76,200)	-3.1%
Building Permits	1,702,500	1,650,000	1,500,000	1,250,000	1,466,700	(235,800)	-13.9%
Property Taxes	6,967,500	6,967,500	6,967,500	6,842,500	6,925,800	(41,700)	-0.6%
Other GF Revenues	10,439,932	9,353,400	9,808,712	7,945,121	9,035,700	(1,404,232)	-13.5%
	\$ 21,581,432	\$ 20,328,800	\$ 20,690,312	\$ 18,451,721	\$ 19,823,500	\$ (1,757,932)	-8.1%
Total General Fund Revenues	\$ 65,296,632	\$ 61,914,100	\$ 62,547,612	\$ 58,872,421	\$ 61,111,300	\$ (4,185,332)	-6.4%
Change vs Prior Estimate		\$ (3,382,532)	\$ (2,749,020)	\$ (6,424,211)	\$ (4,185,332)		
% Change vs Prior Estimate		-5.2%	-4.2%	-9.8%	-6.4%		



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General Fund Projections: Sales Tax Details

Category	FY 2020-21 Budget	Scenario 1 FY 2020-21	Scenario 2 FY 2020-21	Scenario 3 FY 2020-21	Scenario 4 FY 2020-21	Change	% Change
Sales Taxes							
Utilities	\$ 1,076,250	\$ 1,041,000	\$ 1,016,900	\$ 1,006,100	\$ 1,021,300	\$ (54,950)	-5.1%
Telecommunications	235,750	198,500	214,200	205,900	206,200	(29,550)	-12.5%
Restaurant/Bars	3,075,000	2,580,900	2,793,400	2,713,100	2,695,800	(379,200)	-12.3%
Amusements	108,650	67,200	87,200	79,900	78,100	(30,550)	-28.1%
Commercial Rental	1,050,000	1,028,400	1,080,700	1,044,400	1,051,100	1,100	0.1%
Personal Property Rental	732,875	611,400	646,600	608,400	622,100	(110,775)	-15.1%
Contracting	1,700,000	1,783,900	2,017,000	1,645,200	1,815,400	115,400	6.8%
Retail	10,865,000	10,599,100	11,306,400	10,184,500	10,696,700	(168,300)	-1.5%
Hotel/Motel/STR	1,640,000	1,214,300	1,432,100	1,332,500	1,326,300	(313,700)	-19.1%
Miscellaneous (Publish, Print, Trans, Timb, Adv)	99,600	103,400	122,300	101,400	109,000	9,400	9.4%
Use Tax (Increase 8/2019 1% to 2.281%)	1,471,545	1,569,100	1,705,100	1,588,100	1,620,800	149,255	10.1%
Sales Taxes Total	\$ 22,054,670	\$ 20,797,200	\$ 22,421,900	\$ 20,509,500	\$ 21,242,800	\$ (811,870)	-3.7%
Change vs Prior Estimate		\$ (1,257,470)	\$ 367,230	\$ (1,545,170)	\$ (811,870)		
% Change vs Prior Estimate		-5.7%	1.7%	-7.0%	-3.7%		