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**INTEROFFICE MEMO**

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**DATE:** MARCH 31, 2011

**TO:** MAYOR AND CITY COUNCIL,  
TIM ERNSTER, CITY MANAGER, ALISON ZELMS, ASSISTANT CITY MANAGER

**CC:** DEPARTMENT HEADS, CITY ASSISTANTS, AND BUDGET OVERSIGHT  
COMMITTEE

**FROM:** BARBARA ASHLEY

**RE:** **MONTHLY REPORT – JANUARY & FEBRUARY 2011**

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Please find attached the financial summary for the months-ending January and February 2011. As you are aware we have made several changes in our procedures for collecting sales taxes. The Finance staff has been working with the RDS staff to compile and create a sales tax and business license database of the City's businesses. We are continuing to build this process and in future months we will have more details of trends and anomalies for sales tax collection available. For the months of January and February please note the following:

1. Revenues over expenditures remain positive at \$ 1,137,369 through February 2011. At this point last year, the City was at a negative position with expenditure exceeding revenue. Overall revenue collections through February increased over February 2010 by approximately 11%, while expenditures decreased by approximately 11%.  
*These numbers are cumulative*
2. Sales Tax collection is slightly down over last year for these two months. Part of this is due to the economy and the other is due to changes in reporting from the AZ Dept of Revenue to Revenue Discovery Systems (RDS). These changes will take several months of trending to provide the specific causes. Sales taxes collected for January 2011 decreased over January 2010 approximately 13%, while February 2011 over February 2010 decreased by approximately 8%. Comparing the cumulative collections fiscal year over fiscal year (July thru February), sales tax collections remain up approximately 0.16%. Bed taxes increased approximately 12.5% over January 2010 and then followed in February with a decrease of approximately 14%. The Bed Tax category is going to fluctuate over the next few months as we work to correct years of misreporting through the State as per the highlighted area below. We have known that the Dept of Revenue had reporting errors that could not be corrected per the Dept of Revenue. RDS and City staffs are working with these businesses to collect and remit Bed taxes and correct their reporting. Sales taxes collected by category reports are still being collated for review and release. *NOTE: The Bed Tax and City Sales Tax allocations remain incorrectly stated due to SE code discrepancies contained within the Arizona Department of Revenue (ADOR) SIC reports. Although the Bed Tax and City Sales Tax amounts are incorrectly allocated between the SE codes, overall tax collections are correct and have been reconciled to the amounts received. The City is continuing to work with the ADOR in order to resolve the reporting errors.*

INTEROFFICE MEMO: MONTHLY REPORTS

3. State shared revenues continue on target with estimates provided at the beginning of the fiscal year with the State Sales tax showing a slight increase through February 2011. Franchise Fees are collected on a quarterly basis and are in line with our projections. Interest remains flat.
4. Expenditures per department will fluctuate as the year progresses but overall expenditures are below the target approximately 9.5% and decreased from last year within this same time frame by approximately \$669,064.

Should you have any questions, please feel free to contact my office or Alison Zelms in the City Manager's office.

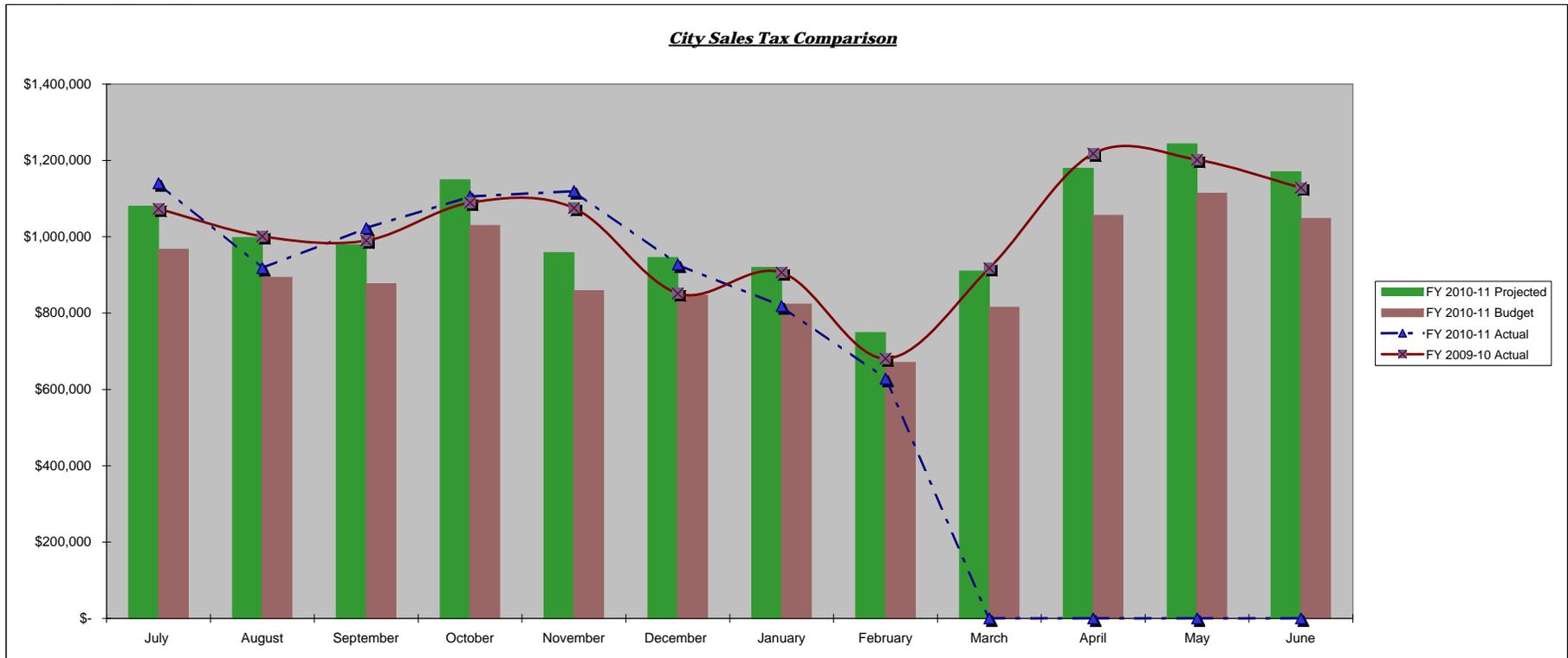
ATTACHMENTS

**City of Sedona**  
**Sales Tax Worksheet\***  
**February 28, 2011**

Month	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	2011 Budget	2011 Collections	Budget Variance	% Change from 2010	% Change from Budget
<b>July</b>	896,544	933,022	949,697	987,755	1,021,011	1,181,174	1,069,178	1,253,632	1,252,755	1,073,215	966,682	1,140,395	173,714	5.89%	15.23%
<b>August</b>	806,622	883,457	812,892	938,115	1,043,646	1,095,421	1,058,491	1,230,340	1,090,523	1,001,376	893,251	917,875	24,624	-9.10%	2.68%
<b>September</b>	815,464	861,455	842,239	957,697	972,637	1,049,959	1,032,607	1,137,149	1,017,988	990,181	876,574	1,022,615	146,040	3.17%	14.28%
<b>October</b>	901,601	852,214	948,253	937,372	1,090,521	1,139,917	1,178,952	1,155,616	1,601,792	1,089,433	1,028,990	1,105,755	76,765	1.48%	6.94%
<b>November</b>	520,198	852,214	443,132	937,372	1,116,598	1,331,960	1,331,215	1,361,830	1,191,160	1,075,186	858,215	1,119,830	261,615	3.99%	23.36%
<b>December</b>	829,897	769,014	847,479	999,121	944,662	1,074,367	1,156,793	1,132,785	963,540	851,434	846,480	927,330	80,850	8.18%	8.72%
<b>January</b>	812,928	799,021	882,138	830,649	918,105	1,052,208	1,092,120	1,026,332	938,932	906,327	823,199	818,085	(5,113)	-10.79%	-0.63%
<b>February</b>	643,032	662,146	736,372	748,373	739,579	810,751	918,581	909,590	731,583	681,004	670,557	628,209	(42,348)	-8.40%	-6.74%
<b>March</b>	748,564	799,602	771,127	859,229	880,416	1,102,828	1,076,654	985,533	1,027,075	917,669	814,890	0	0	0.00%	0.00%
<b>April</b>	881,747	1,035,541	1,087,984	1,147,949	1,153,061	1,316,931	1,383,320	1,406,892	1,130,233	1,218,124	1,055,937	0	0	0.00%	0.00%
<b>May</b>	997,709	1,094,861	1,084,585	1,167,307	1,214,920	1,371,983	1,452,116	1,345,307	1,414,982	1,201,785	1,113,263	0	0	0.00%	0.00%
<b>June</b>	1,038,580	980,892	1,060,217	1,155,541	1,182,999	1,370,439	1,415,780	1,309,472	1,172,116	1,128,769	1,047,508	0	0	0.00%	0.00%
<b>Total</b>	\$9,892,885	\$10,523,438	\$10,466,116	\$11,666,480	\$12,278,155	\$13,897,940	\$14,165,807	\$14,254,478	\$13,532,679	\$12,134,503	\$10,995,545	\$7,680,095	716,147	0.16%	9.32%

cumulative averages

\* Bed tax is included due to reporting inconsistencies by vendors.  
 \*\* The fiscal year is July 1 through June 30.



2/28/20

**ARIZONA DEPARTMENT OF REVENUE  
2010-2011**

	% Inc/Dec	GENERAL FUND BED TAX	% Inc/Dec	GEN. FUND CITY SALES TAX	% Inc/Dec	WW FUND CITY SALES TAX	% Inc/Dec	TOTAL CITY SALES TAX	Month collected for:
July	24.79%	\$150,105.76	3.03%	\$534,756.42	3.03%	\$455,533.25	5.89%	\$1,140,395.43	June
August	9.92%	\$106,759.77	-11.60%	\$438,002.43	-11.60%	\$373,113.19	-9.10%	\$917,875.39	July
September	7.09%	\$118,808.29	2.66%	\$488,055.41	2.66%	\$415,750.90	3.17%	\$1,022,614.60	August
October	-7.94%	\$158,875.61	3.06%	\$511,314.76	3.06%	\$435,564.42	1.48%	\$1,105,754.79	September
November	23.54%	\$156,499.92	0.81%	\$520,198.30	0.81%	\$443,131.88	3.99%	\$1,119,830.10	October
December	18.11%	\$131,844.66	6.54%	\$429,562.31	6.54%	\$365,923.45	8.18%	\$927,330.42	November
January	12.50%	\$70,685.59	-12.99%	\$403,595.88	-12.99%	\$343,803.89	-10.79%	\$818,085.36	December
February	-13.89%	\$55,129.82	-7.88%	\$309,462.79	-7.88%	\$263,616.45	-8.40%	\$628,209.06	January
March								\$0.00	February
April								\$0.00	March
May								\$0.00	April
June								\$0.00	May
<b>TOTAL 10-11</b>		<b>\$948,709.42</b>		<b>\$3,634,948.30</b>		<b>\$3,096,437.43</b>		<b>\$7,680,095.15</b>	
TOTAL 09-10		\$843,190.09		\$ 3,685,481.40		\$3,139,484.17		\$7,668,155.66	
<b>DIFFERENCE</b>		<b>\$105,519.33</b>		<b>(\$50,533.10)</b>		<b>(\$43,046.74)</b>		<b>\$11,939.49</b>	
<b>% INCR/DECR</b>		<b>11.12%</b>		<b>-1.39%</b>		<b>-1.39%</b>		<b>0.16%</b>	

	% Inc Dec	STREETS FUND HURF	% Inc Dec	STREETS FUND LTAF	% Inc Dec	GEN. FUND STATE SALES TAX	% Inc Dec	GEN. FUND INCOME TAX
July	-10.62%	\$77,002.92	0.00%	\$0.00	-2.41%	\$65,942.52	-32.64%	\$88,694.69
August	1.55%	\$82,039.96	0.00%	\$0.00	-2.81%	\$62,515.17	-32.64%	\$88,694.47
September	-6.88%	\$74,926.19	0.00%	\$0.00	-0.83%	\$64,809.88	-32.64%	\$88,694.47
October	0.70%	\$73,234.16	0.00%	\$0.00	3.54%	\$65,995.08	-32.65%	\$88,694.47
November	2.10%	\$68,457.50	0.00%	\$0.00	1.83%	\$65,722.70	-32.65%	\$88,694.47
December	5.63%	\$68,463.63	0.00%	\$0.00	2.05%	\$67,818.44	-32.65%	\$88,694.47
January	-0.44%	\$70,174.23	0.00%	\$0.00	6.04%	\$83,720.09	-32.65%	\$88,694.47
February	6.20%	\$70,543.80	0.00%	\$0.00	6.79%	\$66,032.09	-32.65%	\$88,694.47
March								
April								
May								
June								
<b>TOTAL 10-11</b>		<b>\$584,842.39</b>		<b>\$0.00</b>		<b>\$542,555.97</b>		<b>\$709,555.98</b>
TOTAL 09-10		\$587,027.76		\$27,460.56		\$531,972.40		\$941,210.85
<b>DIFFERENCE</b>		<b>(\$2,185.37)</b>		<b>(\$27,460.56)</b>		<b>\$10,583.57</b>		<b>(\$231,654.87)</b>
<b>% INCR/DECR</b>		<b>-0.37%</b>		<b>0.00%</b>		<b>1.95%</b>		<b>-32.65%</b>

**\$9,517,049.49**

TOTAL 09-10 \$ 9,755,827.23  
 DIFFERENCE (\$238,777.74)  
 % INCR/DECR -2.51%

**City of Sedona  
FY 2010/11 General Fund Budget Comparison**

January-11

<u>Revenues</u>	<u>Budget</u>		<u>FYTD Actual</u>	<u>Balance</u>	<u>59% Target</u>		<u>Prior FYTD</u>	<u>PY to CY Comparison</u>
Bed Tax	1,225,785	**	893,580	(332,205)	72.9%	2	780,404	12.67%
City Sales Tax	5,396,616	**	3,427,566	(1,969,050)	63.5%	2	2,457,932	28.29%
Franchise Fees	667,787	**	353,973	(313,814)	53.0%	3	337,137	0.00%
Vehicle License Tax	600,023	**	315,427	(284,596)	52.6%	3	320,869	-1.73%
State Sales Tax	820,369	**	476,524	(343,845)	58.1%	3	470,426	1.28%
State Income Tax	1,064,174	**	620,862	(443,312)	58.3%	3	823,558	-32.65%
Fines	299,119	**	113,286	(185,833)	37.9%		167,872	-48.18%
Licenses & Permits	172,839	**	70,107	(102,732)	40.6%		162,693	-132.06%
Charges for Services	134,269	**	54,312	(79,957)	40.5%		71,541	-31.72%
Contributions & Donations	-	**	-	0	0.0%		750	0.00%
Interest	303,790	**	198,030	(105,760)	65.2%	3	212,510	-7.31%
Miscellaneous	447,374	**	132,385	(314,989)	29.6%		71,601	45.91%
	<b>11,132,145</b>	<b>**</b>	<b>6,656,052</b>	<b>(4,476,093)</b>	<b>59.8%</b>	<b>1</b>	<b>5,877,293</b>	<b>11.70%</b>

**\*\*NOTE:** Budget amounts do not include "beginning cash" or "transfers" from other funds.

<u>Expenditures</u>	<u>Budget</u>		<u>FYTD Actual</u>	<u>Balance</u>	<u>59% Target</u>		<u>Prior FYTD</u>	<u>PY to CY Comparison</u>
City Council	61,838		36,465	(25,373)	59.0%	4	35,084	3.79%
City Manager	246,222		132,776	(113,446)	53.9%		244,607	-84.23%
Human Resources	1,563,615		788,808	(774,807)	50.4%		771,129	2.24%
Financial Services	376,922		171,469	(205,453)	45.5%		115,073	32.89%
Information Systems	453,065		298,445	(154,620)	65.9%	4	239,636	19.71%
Legal	335,289		179,372	(155,917)	53.5%		209,427	-16.76%
City Clerk	186,292		104,327	(81,965)	56.0%		116,134	-11.32%
Parks & Recreation	315,050		130,166	(184,884)	41.3%		332,367	-155.34%
General Services	2,978,981		1,797,466	(1,181,515)	60.3%		1,450,008	19.33%
Contingencies	300,000		8,937	(291,063)	3.0%		79,176	0.00%
Community Development	788,847		412,212	(376,635)	52.3%		603,612	-46.43%
Public Works	755,192		399,135	(356,057)	52.9%		239,641	39.96%
Arts & Culture	84,218		46,710	(37,508)	55.5%	4	116,550	-149.52%
Police	2,050,437		1,083,202	(967,236)	52.8%		1,463,656	-35.12%
Municipal Court	296,507		131,483	(165,024)	44.3%		178,741	-35.94%
	<b>10,792,475</b>		<b>5,720,972</b>	<b>(5,071,503)</b>	<b>53.0%</b>	<b>1</b>	<b>6,194,842</b>	<b>-8.28%</b>

**\*NOTE:** Amounts do not include "encumbrances".

<u>Revenue / Expense</u>	<u>Actual Revenues</u>	-	<u>Actual Expenditures</u>	+/-	<u>Transfers and/or Reserve</u>	=	<u>YTD Rev over Exp</u>	<u>PYTD Rev over Exp</u>
<b>General Fund</b>	<b>6,656,052</b>		<b>5,720,972</b>	<b>*</b>	<b>0</b>		<b>935,080</b>	<b>(317,549)</b>
							<b>1</b>	<b>133.96%</b>

**City of Sedona  
FY 2010/11 General Fund Budget Comparison**

February-11

<u>Revenues</u>	<u>Budget</u>		<u>FYTD Actual</u>	<u>Balance</u>	<u>67% Target</u>		<u>Prior FYTD</u>	<u>PY to CY Comparison</u>
Bed Tax	1,225,785	**	948,709	(277,076)	77.4%	2	843,190	11.12%
City Sales Tax	5,396,616	**	3,845,857	(1,550,759)	71.3%	2	2,791,770	27.41%
Franchise Fees	667,787	**	353,973	(313,814)	53.0%	3	337,137	0.00%
Vehicle License Tax	600,023	**	315,427	(284,596)	52.6%	3	361,799	-14.70%
State Sales Tax	820,369	**	542,556	(277,813)	66.1%	3	531,972	1.95%
State Income Tax	1,064,174	**	709,556	(354,618)	66.7%	3	941,211	-32.65%
Fines	299,119	**	153,740	(145,379)	51.4%		192,466	-25.19%
Licenses & Permits	172,839	**	81,935	(90,904)	47.4%		167,801	-104.80%
Charges for Services	134,269	**	61,894	(72,375)	46.1%		75,287	-21.64%
Contributions & Donations	-	**	-	0	0.0%		750	0.00%
Interest	303,790	**	198,053	(105,737)	65.2%	3	219,902	-11.03%
Miscellaneous	447,374	**	135,934	(311,440)	30.4%		75,517	44.45%
	<b>11,132,145</b>	<b>**</b>	<b>7,347,635</b>	<b>(3,784,510)</b>	<b>66.0%</b>	<b>1</b>	<b>6,538,802</b>	<b>11.01%</b>

**\*\*NOTE:** Budget amounts do not include "beginning cash" or "transfers" from other funds.

<u>Expenditures</u>	<u>Budget</u>		<u>FYTD Actual</u>	<u>Balance</u>	<u>67% Target</u>		<u>Prior FYTD</u>	<u>PY to CY Comparison</u>
City Council	61,838		40,982	(20,856)	66.3%	4	39,450	3.74%
City Manager	246,222		151,959	(94,263)	61.7%		270,786	-78.20%
Human Resources	1,563,615		890,287	(673,328)	56.9%		1,012,541	-13.73%
Financial Services	376,922		193,255	(183,667)	51.3%		124,117	35.78%
Information Systems	453,065		323,670	(129,395)	71.4%	4	258,411	20.16%
Legal	335,289		211,815	(123,474)	63.2%		228,019	-7.65%
City Clerk	186,292		118,424	(67,868)	63.6%		130,452	-10.16%
Parks & Recreation	315,050		148,906	(166,144)	47.3%		361,007	-142.44%
General Services	2,978,981		1,780,240	(1,198,741)	59.8%		1,560,851	12.32%
Contingencies	300,000		8,937	(291,063)	3.0%		79,176	0.00%
Community Development	788,847		469,075	(319,772)	59.5%		665,007	-41.77%
Public Works	755,192		458,629	(296,563)	60.7%		260,283	43.25%
Arts & Culture	84,218		53,028	(31,190)	63.0%	4	122,841	-131.65%
Police	2,050,437		1,210,923	(839,514)	59.1%		1,571,671	-29.79%
Municipal Court	296,507		150,135	(146,372)	50.6%		194,718	-29.70%
	<b>10,792,475</b>		<b>6,210,265</b>	<b>(4,582,210)</b>	<b>57.5%</b>	<b>1</b>	<b>6,879,329</b>	<b>-10.77%</b>

**\*NOTE:** Amounts do not include "encumbrances".

<u>Revenue / Expense</u>	<u>Actual Revenues</u>	-	<u>Actual Expenditures</u>	+/-	<u>Transfers and/or Reserve</u>	=	<u>YTD Rev over Exp</u>	<u>PYTD Rev over Exp</u>
<b>General Fund</b>	<b>7,347,635</b>		<b>6,210,265</b>	<b>*</b>	<b>0</b>		<b>1,137,369</b>	<b>(340,527)</b>
							<b>1</b>	<b>129.94%</b>