

INTEROFFICE MEMO

DATE: MAY 26, 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 – MARCH 2011**

After several weeks of reviewing transactions and reports with City staff and RDS staff, we are very close to finalizing our reporting requirements. For now, report is in the same format as prior monthly reports even though we are currently receiving tax payments from Revenue Discovery Systems (RDS) and AZ Department of Revenue (ADOR), both with very different collection and disbursement practices. Reconciling the payments from the two agencies has been a task, but we feel we have been able to update and reconcile the payments to the most realistic collection period(s), recognizing that due to the change in collection, comparisons are not exact. Listed below are some changes we have encountered by changing to RDS;

- ✓ The City's accounting practices for Sales Tax collections has slightly changed to accommodate the change from the AZ Department of Revenue to Revenue Discovery Systems (RDS).
- ✓ Access to the taxpayer database has dramatically increased. Actual reporting and payments can be seen in detail. The City will be able to view how, when and what taxpayers liabilities are. Staff will also be able to see the non-payment side of collections; taxpayers that are registered but not paying taxes. Outreach assistance to these taxpayers can be offered, if needed.
- ✓ With the assistance of RDS, taxpayers are being contacted for immediate correction when needed. Examples of corrections include; wrong tax code/category, incorrect amount paid or reported, etc. For instance, for the past several years, Finance has stated in each memo to Council, *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.* These errors have not been corrected to my knowledge within AZDOR. Working with RDS, we have been able to identify most of these errors to date. We will continue to encourage the taxpayers affected to file 'amended' returns.
- ✓ The changes to reporting and new accuracy within the bed tax category are likely to result in a notable decrease to bed tax collection, and corresponding increase in the

INTEROFFICE MEMO: MONTHLY REPORTS

retail tax category. This is due to a combination of misreporting in the wrong category (for example restaurants reporting their 3% retail tax in the bed tax category) as well as instances of hotels that were inaccurately reporting only a 3% tax, with no bed tax collected/reported.

- ✓ Since taxes are paid to the City in the month following the transaction, one clarification for those viewing this report is – taxes for the prior month can be paid by a business without penalty from the first day through the last day of the month following the transaction (i.e.; a transaction made on April 21st, taxes are due May 1st through May 31st midnight, so the monthly report for April will come out in early June).
- ✓ State shared revenue is posted through April 2011 due to the delay in the March report. In the next report, no new State shared revenues will have been received and the local and state reporting periods will re-align with the same April dollars reported for the State.
- ✓ Taxes collected by RDS every business day are deposited into the City's bank account on the next business day.

Attached you will find the report for the quarter ending March 2011, which includes updating taxes paid through April 30, 2011 for March and prior months liability. The taxes for December 2010, January and February 2011 have also been revised to reflect the accounting/reporting/collections changes mentioned. For the month of March please note the following:

1. Revenues over expenditures remain positive at \$1,869,591 through March 2011. Overall revenue collections through March increased over March 2010 by approximately 10%, while expenditures decreased by approximately 9%. These numbers are cumulative. (Note the change in accounting/collections represents a portion of the revenue increases for January, February and March).
2. Change in reporting from the AZ Dept of Revenue to Revenue Discovery Systems (RDS) is progressing. Sales taxes collected for March increased over March 2010 approximately 7%. Bed taxes decreased approximately 12% over March 2010. As stated in prior months, the Bed Tax category is going to fluctuate as corrections to categories are completed.
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 April 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 11% and decreased from last year within this same time frame by approximately \$641,087.

Should you have any questions, please feel free to contact my office.

ATTACHMENTS

City of Sedona

Sales Tax Worksheet*

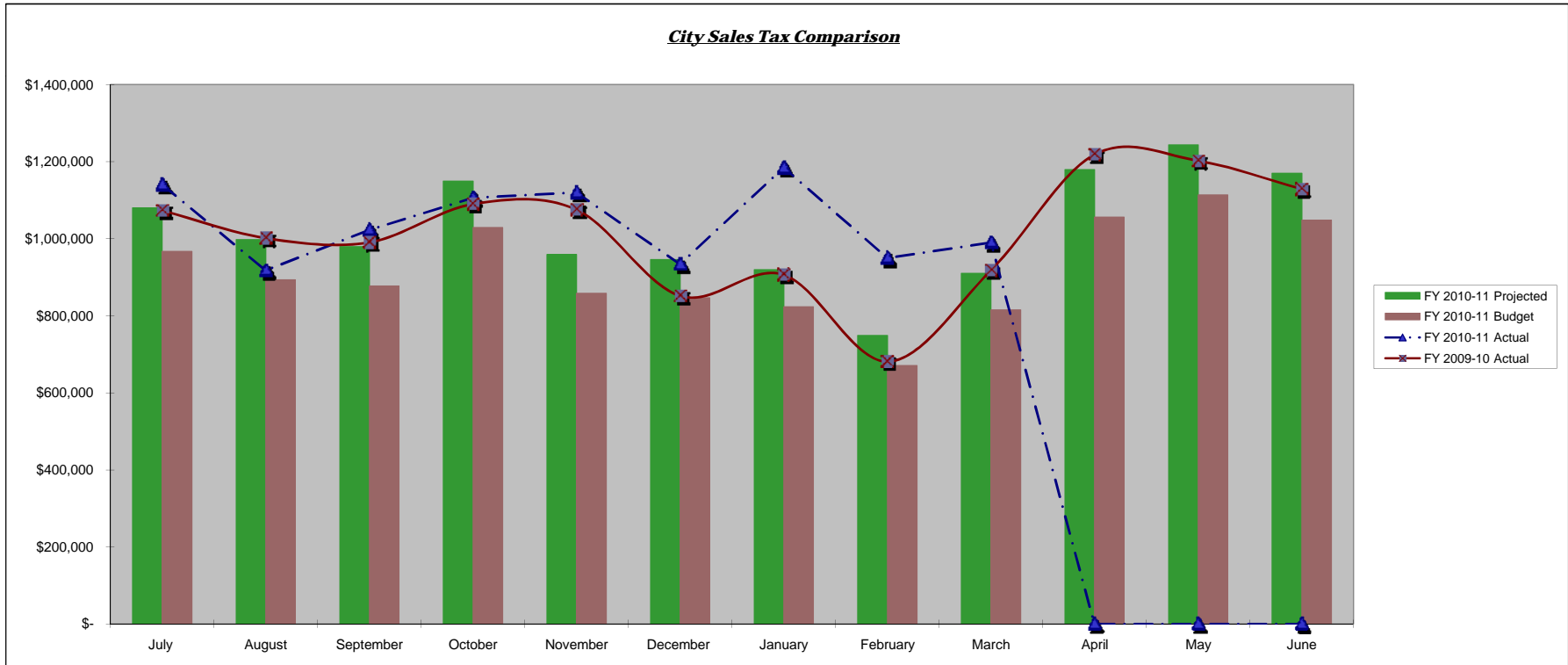
March 31, 2011

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
July	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%
August	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%
September	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%
October	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%
November	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%
December	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	933,873	87,393	8.83%	9.36%
January	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	1,184,462	361,264	23.48%	30.50%
February	643,032	662,146	736,372	748,373	739,579	810,751	918,581	909,590	731,583	681,004	670,557	949,379	278,822	28.27%	29.37%
March	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	989,770	174,881	7.28%	17.67%
April	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%
May	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%
June	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%
Refund															
Total	\$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	\$9,363,955	1,585,117	8.31%	16.93%

cumulative averages

* Bed tax is included due to reporting inconsistencies by vendors.

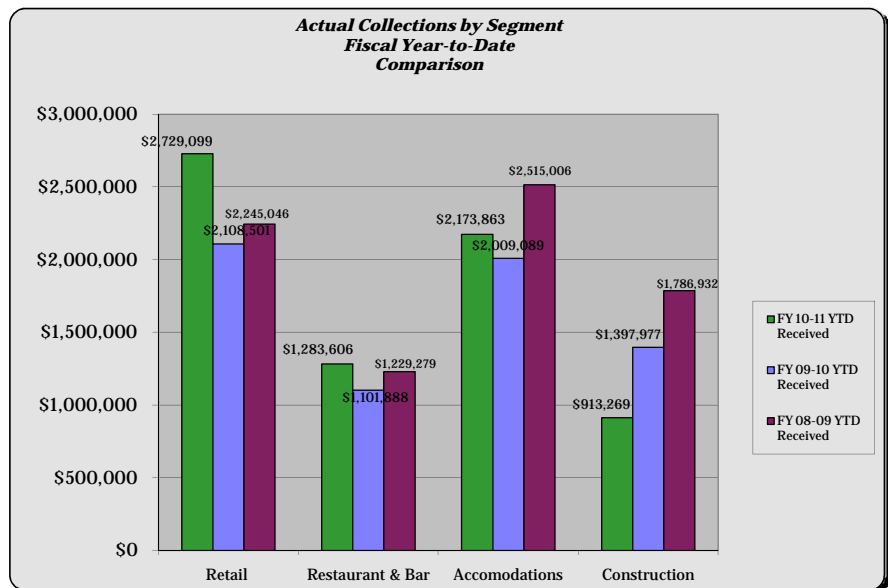
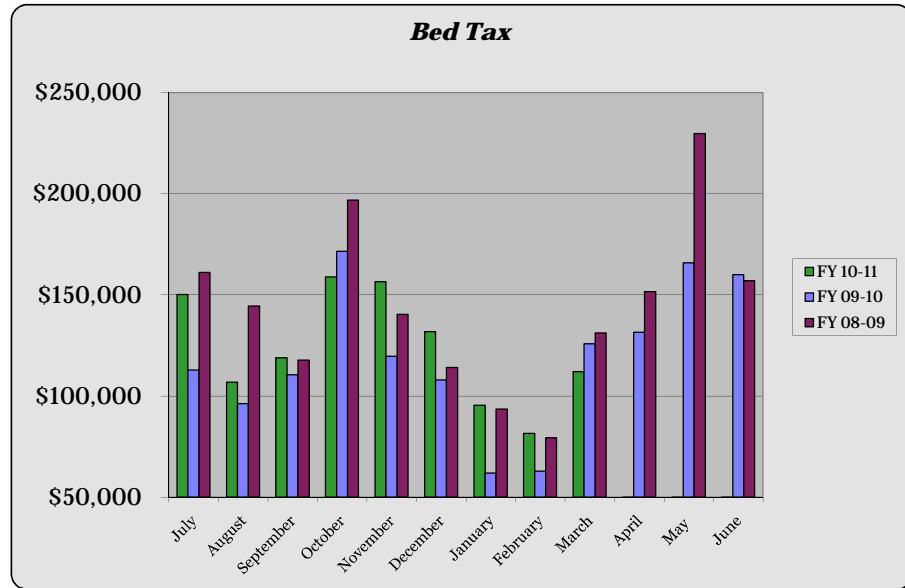
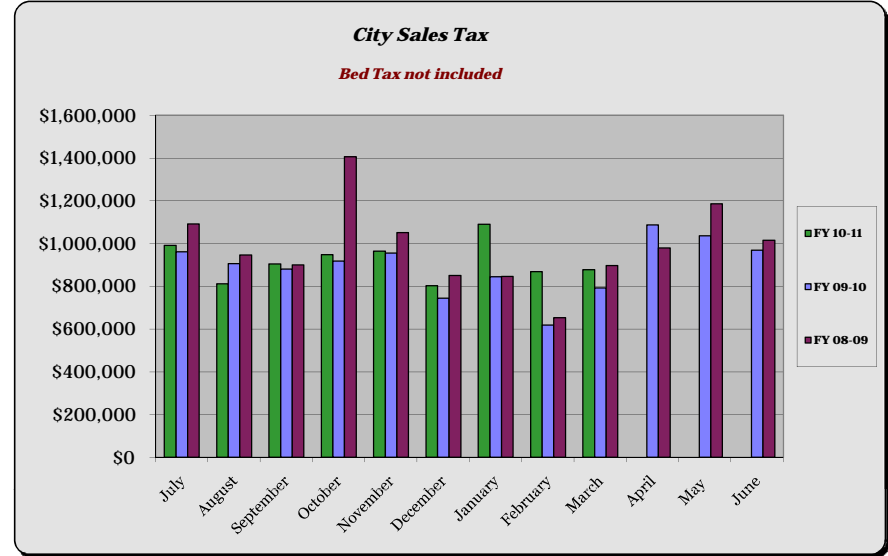
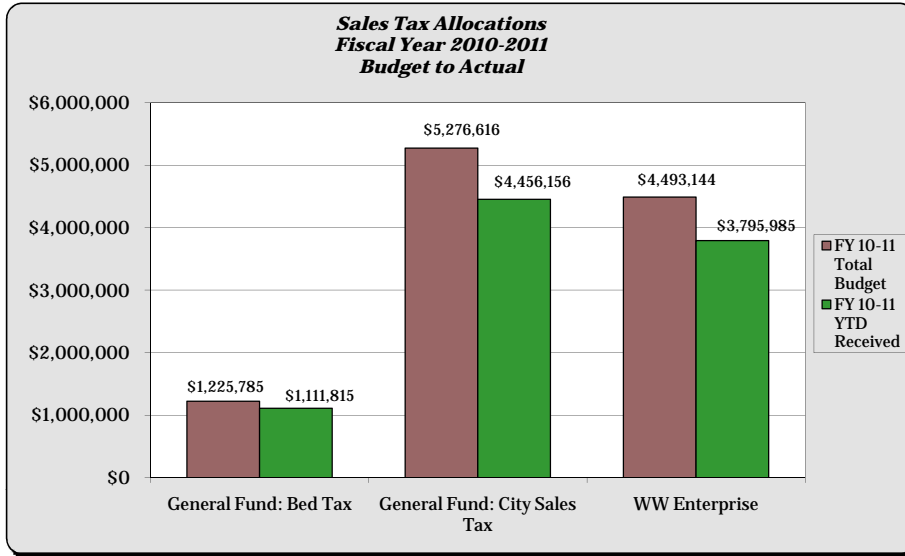
** The fiscal year is July 1 through June 30.



City of Sedona

Sales Tax Worksheet*

March 31, 2011



FY 2010-2011
SALES TAX SUMMARY

	% Inc/Dec	BED TAX General Fund	% Inc/Dec	CITY SALES TAX General Fund	% Inc/Dec	CITY SALES TAX Wastewater Fund	% 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	7.30%	\$433,095.57	7.30%	\$368,933.26	8.83%	\$933,873.49	November
January	35.19%	\$95,427.50	22.46%	\$588,078.82	22.46%	\$500,956.02	23.48%	\$1,184,462.34	December
February	23.00%	\$81,536.91	28.76%	\$468,634.49	28.76%	\$399,207.15	28.27%	\$949,378.55	January
March	-12.42%	\$111,956.09	9.80%	\$474,019.61	9.80%	\$403,794.47	7.28%	\$989,770.17	February
April	#DIV/0!	\$0.00	#DIV/0!	\$0.00	#DIV/0!	\$0.00	#DIV/0!	\$0.00	March
May		\$0.00		\$0.00		\$0.00		\$0.00	April
June		\$0.00		\$0.00		\$0.00		\$0.00	May
TOTAL FY 10-11		\$1,111,814.51		\$4,456,155.81		\$3,795,984.54		\$9,363,954.86	
TOTAL FY 09-10		\$969,049.72		\$4,113,058.66		\$3,503,716.66		\$8,585,825.04	
DIFFERENCE		\$142,764.79		\$343,097.15		\$292,267.88		\$778,129.82	
% INCR/DECR		12.84%		7.70%		7.70%		8.31%	

4/30/2011

**ARIZONA DEPARTMENT OF REVENUE
2010-2011**

	% 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	0.64%	\$73,595.42	0.00%	\$0.00	7.44%	\$70,789.77	-32.65%	\$88,694.47
April	1.72%	\$84,529.42	0.00%	\$0.00	12.90%	\$79,090.42	-32.65%	\$88,694.47
May								
June								
TOTAL 10-11		\$742,967.23		\$0.00		\$692,436.16		\$886,944.92
TOTAL 09-10		\$743,225.33		\$27,460.56		\$666,388.36		\$1,176,517.07
DIFFERENCE		(\$258.10)		(\$27,460.56)		\$26,047.80		(\$289,572.15)
% INCR/DECR		-0.03%		0.00%		3.76%		-32.65%

