

City Manager Report

The City of OKLAHOMA CITY

NO. 6908

DATE OCTOBER 27, 2009

TO: THE MAYOR and MEMBERS OF THE CITY COUNCIL

SUBJECT: SALES AND USE TAX REPORT FOR OCTOBER 2009

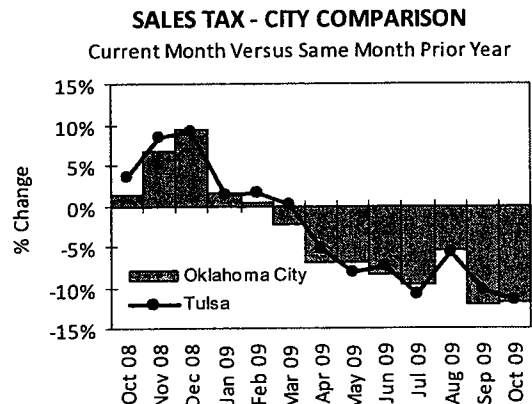
Combined sales and use taxes for the General Fund are \$8,390,104 below target for the year. Following is a report on sales and use taxes for the City's General Fund. Schedules summarizing activity for all funds are attached.

General Fund Sales Tax

The October allocation of sales tax to the General Fund totaled \$13,869,401. This is \$2,376,174 or 14.63 percent below target and 11.87 percent below October 2008 collections. The October remittance includes actual collections for the second half of August and estimated collections for the first half of September by major taxpayers. The Oklahoma Tax Commission reimbursed the City \$673,963 for to the Sales Tax Holiday. This is slightly more than the City received in the prior year.

There are no indications present in the data of a recovery of tax remittances. Much to the contrary, the percentage of major taxpayers remitting more than the prior year reached a new low of 29%, indicating that the problems are broad-based across many taxpayers. Furthermore, Oklahoma City's largest category, retail, was down 9.04 percent in October, its largest decline yet in this recession. The effects of the recession appear to have moved beyond Oklahoma City and Tulsa, with smaller municipalities beginning to see lower remittances.

FY 2010 SALES TAX - MAJOR CATEGORY GROWTH RATES			
Category	Oct 09 % Change From Oct 08	Year-to-Date % Change	% of Total Sales Tax
Retail	-9.04%	-7.53%	61.59%
Transp. & Utilities	2.23%	-0.27%	13.99%
Services	-8.50%	-9.78%	10.34%
Wholesale	-46.01%	-28.74%	8.81%
Manufacturing	-13.41%	-13.11%	3.68%
Non-Classified	-36.66%	-39.36%	0.62%
Other Misc.	-5.42%	-17.46%	0.97%
Overall % Change:	-11.87%	-9.85%	100.00%



Not even some "recession proof" retailers are immune from declines from prior year. There are exceptions to every rule, however, as certain discount chains have been buoyed by the recession as consumers seek to stretch their dollar.

Wholesale declined 46.01 percent on decreases across many taxpayers. One taxpayer, however, received a prior period refund of taxes totaling \$459,000. Staff is reviewing this transaction with the Oklahoma Tax Commission.

October's remittance was down 11.57 percent for Tulsa and 11.48 percent for Edmond. Although not as severe as the decreases seen by Oklahoma City and Tulsa, Edmond has been negative for six out of the last seven months. Midwest City has posted small declines against prior year the last five months. The City of Moore enjoyed robust growth until the last couple of months. The State Treasurer's October 13th press release reported their September collections were 14.7 percent below prior year.

The City's largest remitters tend to drive the percentage change in our sales tax. An analysis of major taxpayers reveals that over the last ten months the percentage of remittances exceeding the prior year has steadily dropped to 29%. Improvement in the remittances of our largest taxpayers is a prerequisite to a turnaround.

Retail, which is 62 percent of the tax, continues to see ever-larger decreases from prior year. Retail dropped 9.04 percent against October 2008 and accounts for a large portion of the overall decrease in sales tax. Seven of the eight retail subcategories had negative growth in the current month. General merchandise (-8.13%) continues to be impacted by the decreases in spending at major department stores. Eating and drinking (-12.92%) was down more than usual on the correction of a major chain's previous remittance to the City; the correction gets this taxpayer's previous remittance down to historical norms. Building materials (-11.54%), apparel (-14.15%) and auto dealer related business decreased sharply as consumers increasingly limit big purchases and discretionary spending. Food stores category was slightly positive at 0.43 percent.

CITY COMPARISON		
City	Oct 09 % Change	Year-to-date
	From Oct 08	% Change
Oklahoma City	-11.87%	-9.85%
Tulsa	-11.57%	-9.69%
Edmond	-11.48%	-5.77%
Midwest City	-2.71%	-2.51%
Moore	-1.73%	3.99%
Yukon	1.46%	6.37%

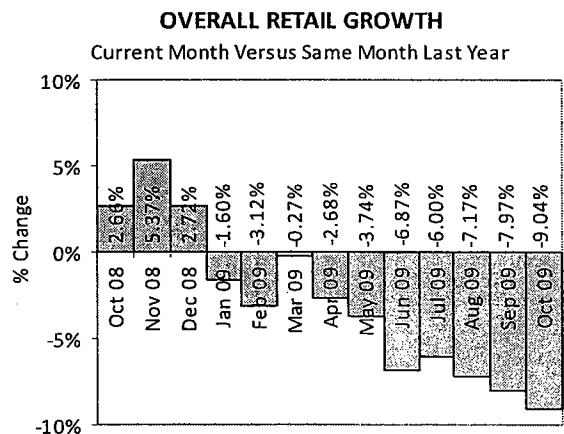
Several smaller surrounding municipalities are feeling the effects of the recession.

There seems to be a correlation between higher growth rates and smaller cities in the above table. This may be because new retail areas located in suburban cities have a relatively larger impact on their smaller sales tax base.

RETAIL - MAJOR CATEGORY GROWTH RATES

Category	Oct 09 % Change	Year-to-Date	% of Total Retail
	From Oct 08	% Change	
General Merchandise	-8.13%	-6.33%	22.66%
Eating & Drinking	-12.92%	-4.22%	19.89%
Miscellaneous Retail	-5.63%	-6.66%	14.76%
Building Materials	-11.54%	-7.06%	12.04%
Furniture and Home	-2.12%	-18.29%	10.75%
Food Stores	0.43%	2.81%	9.61%
Apparel & Accessory	-14.15%	-8.89%	5.73%
Auto Dealers	-26.33%	-18.91%	4.57%
Overall % Change:	-9.04%	-7.53%	100.00%

Decreases such as these are unprecedented in recent history and represent consumers and businesses limiting their spending.



Retail continues to see ever-larger decreases from prior year, suggesting that the bottom has not yet been reached.

Transportation & utilities category was up 2.23% over the same month last year. The telecommunication sector was up 17.63 percent while utilities was down 6.39 percent.

The services category declined 8.50 percent with the hotels subcategory down 20.19 percent, business services down 11.95 percent and other services flat at 0.83 percent.

Wholesale declined 46.01 percent on decreases across many taxpayers. One taxpayer, however, received a prior period refund of taxes totaling \$459,000. Staff is reviewing this transaction with the Oklahoma Tax Commission for appropriateness.

General Fund Use Tax

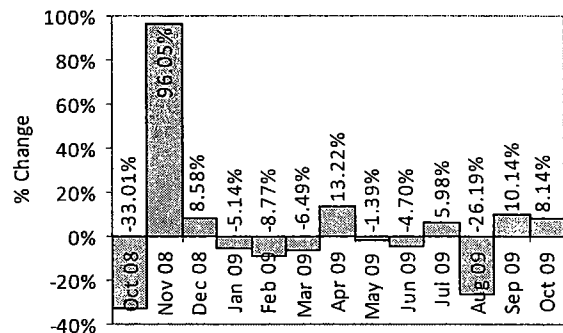
The October allocation of use tax to the General Fund totaled \$1,833,346. This is \$127,210 or 7.46 percent above target and 8.14 percent above October 2008 collections. Year-to-date use tax collections are still 2.70 percent under target.

Use tax benefited this month from medical related remittances and a \$215,000 refund of taxes issued in the prior year.

FY 2010 USE TAX - MAJOR CATEGORY GROWTH RATES			
Category	Oct 09 % Change From Oct 08	Year-to-Date % Change	% of Total Use Tax
Wholesale	48.52%	-16.41%	28.38%
Services	15.56%	16.76%	16.01%
Retail	2.12%	26.91%	26.69%
Non-Classified	-28.73%	-24.93%	8.30%
Manufacturing	-30.97%	-14.75%	6.23%
Mining	-69.54%	28.04%	7.59%
Transp. & Utilities	-19.36%	-38.11%	4.61%
Other Misc.	6.43%	30.78%	2.18%
Overall % Change:	8.14%	-2.08%	100.00%

As with last month's increase, although this month's increase of 8.14% is encouraging, the primary reason is a large refund of taxes granted in the prior year.

OVERALL USE TAX
Current Month Versus Same Month Last Year



The large November one-time increase in use tax in the chart to the left is attributable to Oklahoma Tax Commission field audit collections in the mining category.

Staff is available should you have questions or require additional information.

James D. Couch
City Manager

CITY OF OKLAHOMA CITY
SALES TAX COLLECTIONS
 October 2009

	General Fund	Police		Fire		Zoo	Sports Facilities		MAPS for Kids		Police/Fire Equipment	MAPS	Total Sales Tax
		Public Safety	Public Safety	Public Safety	Public Safety		Improvement	Improvement	Kids	Kids			
Current Month:													
Actual	\$13,869,419	\$2,600,516	\$2,600,516	\$866,839	\$6,934,710	\$866,839	\$6,934,710	-	-	-	-	-	\$26,872,000
Reallocations	(\$18)	(\$3)	(\$3)	(\$1)	(\$54,214)	(\$1)	(\$54,214)	-	\$54,405	(\$137)	(\$29)	(\$29)	-
Adjusted Actual	\$13,869,401	\$2,600,513	\$2,600,513	\$866,838	\$6,880,496	\$866,838	\$6,880,496	-	\$54,405	(\$137)	(\$29)	(\$29)	\$26,872,000
Target	\$16,245,575	\$3,046,045	\$3,046,045	\$1,015,524	\$8,122,788	\$1,015,524	\$8,122,788	-	-	-	-	-	\$31,475,977
+/- Target	(\$2,376,174)	(\$445,532)	(\$445,532)	(\$148,686)	(\$1,242,292)	(\$148,686)	(\$1,242,292)	-	\$54,405	(\$137)	(\$29)	(\$29)	(\$4,603,977)
%+/- Target	-14.63%	-14.63%	-14.63%	-14.64%	-15.29%	-14.64%	-15.29%	-	-	-	-	-	-14.63%
Prior Year Actual	\$15,737,261	\$2,950,736	\$2,950,736	\$983,579	-	\$983,579	-	-	\$7,867,560	\$474	\$37	\$37	\$30,490,385
+/- Prior Year	(\$1,867,860)	(\$350,224)	(\$350,224)	(\$116,741)	\$6,880,496	(\$116,741)	\$6,880,496	-	(\$7,813,155)	(\$611)	(\$66)	(\$66)	(\$3,618,385)
%+/- Prior Year	-11.87%	-11.87%	-11.87%	-11.87%	-	-11.87%	-	-	-99.31%	-128.84%	-176.87%	-176.87%	-11.87%
Year-to-Date:													
Actual	\$56,214,180	\$10,540,159	\$10,540,159	\$3,513,386	\$28,107,090	\$3,513,386	\$28,107,090	-	-	-	-	-	\$108,914,974
Reallocations	\$3,615	\$678	\$678	\$226	(\$139,363)	\$226	(\$139,363)	-	\$124,775	\$2,691	\$6,699	\$6,699	-
Adjusted Actual	\$56,217,795	\$10,540,837	\$10,540,837	\$3,513,612	\$27,967,727	\$3,513,612	\$27,967,727	-	\$124,775	\$2,691	\$6,699	\$6,699	\$108,914,974
Target	\$64,371,142	\$12,069,589	\$12,069,589	\$4,025,587	\$32,185,572	\$4,025,587	\$32,185,572	-	-	-	-	-	\$124,721,479
+/- Target	(\$8,153,347)	(\$1,528,752)	(\$1,528,752)	(\$511,975)	(\$4,217,845)	(\$511,975)	(\$4,217,845)	-	\$124,775	\$2,691	\$6,699	\$6,699	(\$15,806,505)
%+/- Target	-12.67%	-12.67%	-12.67%	-12.72%	-13.10%	-12.72%	-13.10%	-	-	-	-	-	-12.67%
Prior Year Actual	\$62,357,011	\$11,691,940	\$11,691,940	\$3,897,313	-	\$3,897,313	-	-	\$31,169,688	\$3,548	\$2,218	\$2,218	\$120,813,657
+/- Prior Year	(\$6,139,215)	(\$1,151,103)	(\$1,151,103)	(\$383,701)	\$27,967,727	(\$383,701)	\$27,967,727	-	(\$31,044,912)	(\$857)	\$4,482	\$4,482	(\$11,898,682)
%+/- Prior Year	-9.85%	-9.85%	-9.85%	-9.85%	-	-9.85%	-	-	-99.60%	-24.15%	202.07%	202.07%	-9.85%
					(2)		(2)		(2)	(1)		(1)	

NOTES:

- (1) The Police/Fire Equipment and MAPS taxes expired in prior years, therefore, only current year reallocation activity is presented for these funds.
- (2) The MAPS for Kids tax ended Dec 31, 2008. It was replaced by the Sports Facilities Improvement Tax Jan 1, 2009.

CITY OF OKLAHOMA CITY
USE TAX COLLECTIONS
 October 2009

	<u>General Fund</u>	<u>Sports Facilities Improvement</u>	<u>City & Schools</u>	<u>Police/Fire Equipment</u>	<u>MAPS</u>	<u>Total Use Tax</u>
Current Month:						
Actual	\$1,833,773	\$637,834	-	-	-	\$2,471,608
Reallocations	(\$428)	\$10,154	(\$9,083)	(\$584)	(\$60)	-
Adjusted Actual	\$1,833,346	\$647,989	(\$9,083)	(\$584)	(\$60)	\$2,471,608
Target	\$1,706,136	\$593,439	-	-	-	\$2,299,575
+/- Target	\$127,210	\$54,550	(\$9,083)	(\$584)	(\$60)	\$172,033
%+/- Target	7.46%	9.19%	-	-	-	7.48%
Prior Year Actual	\$1,695,286	-	\$793,010	(\$101,674)	\$9	\$2,386,631
+/- Prior Year	\$138,059	\$647,989	(\$802,092)	\$101,090	(\$69)	\$84,977
%+/- Prior Year	8.14%	-	-101.15%	-99.43%	-744.76%	3.56%
Year-to-Date:						
Actual	\$8,527,505	\$2,966,089	-	-	-	\$11,493,594
Reallocations	\$271	\$129,657	(\$130,563)	\$556	\$79	-
Adjusted Actual	\$8,527,776	\$3,095,746	(\$130,563)	\$556	\$79	\$11,493,594
Target	\$8,764,533	\$3,048,536	-	-	-	\$11,813,069
+/- Target	(\$236,757)	\$47,210	(\$130,563)	\$556	\$79	(\$319,475)
%+/- Target	-2.70%	1.55%	-	-	-	-2.70%
Prior Year Actual	\$8,708,797	-	\$3,206,187	(\$93,699)	(\$27)	\$11,821,258
+/- Prior Year	(\$181,021)	\$3,095,746	(\$3,336,750)	\$94,255	\$106	(\$327,664)
%+/- Prior Year	-2.08%	-	-104.07%	-100.59%	-396.96%	-2.77%
		(2)	(2)	(1)	(1)	

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