



City Manager Report

The City of OKLAHOMA CITY

NO: 6804
DATE: OCTOBER 28, 2008
TO: THE MAYOR and MEMBERS OF THE CITY COUNCIL
SUBJECT: SALES AND USE TAX REPORT FOR OCTOBER 2008

Combined sales and use taxes for the General Fund are \$456,272 below target for the year.

Following is a report on sales and use taxes for the City's General Fund. A schedule summarizing activity for all funds is attached.

General Fund Sales Tax

The October allocation of sales tax to the General Fund totaled \$15,737,261. This is \$325,458 or 2.03 percent below target and 1.30 percent above October 2007 collections. The October check includes payments by major taxpayers for the second half of August and estimated payments for the first part of September. The State's reimbursement to the City for the sales tax holiday is included in October's check. The amount received was comparable to the receipts from last fiscal year.

Overall, the largest sales tax categories are doing very well. Retail has seen good growth over the four-month period, up 5.11% over the prior year, elevated by good growth across most categories. Transportation and utilities category is up 14.69% over the same period in the prior year on increased utility remittances. Wholesale has continued last year's growth while the high rate of growth seen in Services last year has appeared to slow in FY 2009.

Fiscal Year Growth Rates

Fiscal Year	Year over Year Growth Rate
FY 2006	6.85%
FY 2007	5.96%
FY 2008	3.95%
FY 2009 (thru October)	5.73%

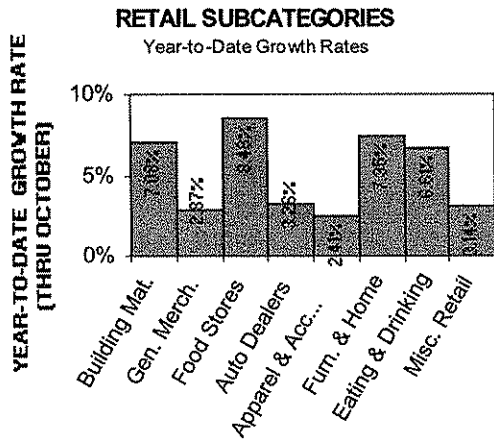
Although growth slowed in FY 2008, the first quarter of FY 2009 exceeded expectations.

FY 2009 Sales Tax Major Category Growth Rates

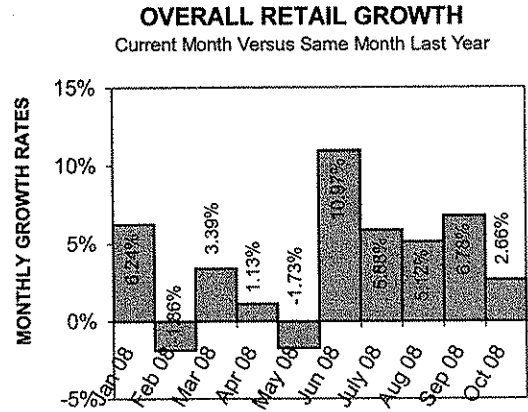
Category	Year-to-Date Growth Rate	% of Total Sales Tax
Retail	5.11%	60.07%
Transportation & Utilities	14.69%	12.65%
Wholesale	9.26%	11.15%
Services	1.30%	10.34%
Manufacturing	-7.04%	3.82%
Non-Classified	2.45%	1.46%
Other Miscellaneous	30.40%	0.52%
Overall Growth Rate:	5.73%	100.00%

The three largest categories, retail, transportation & utilities and wholesale have strong year-to-date growth rates.

Retail subcategories demonstrating strong year-to-date growth are food stores (8.48%), furniture and home (7.35%), building materials (7.08%) and eating and drinking (6.61%). All remaining subcategories are exhibiting moderate year-to-date growth. Retail overall grew by 2.66% in the current month as compared to same month last year.



It is rare to see all subcategories performing at this level in retail.



The impact of federal tax rebates can be seen in June's check above.

Retail's year-to-date growth (5.11%) has been strong so far this year, in spite of October's lower percentage growth of 2.66 percent.

Overall, the transportation & utilities category is up 14.69 percent over the same period last year. The public utilities subcategory is up 21.54 percent while the telecommunications and other subcategory is up 5.03 percent for the year.

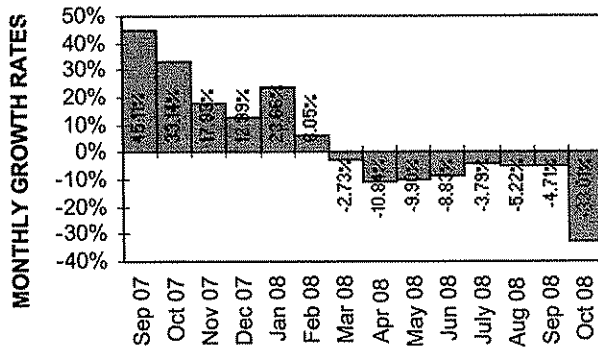
The overall services category is up 1.30 percent over the same period last year. The wholesale category is up 9.26 percent for the year, continuing the strong growth seen in the latter half of FY 2008.

General Fund Use Tax

The October allocation of use tax to the General Fund totaled \$1,695,286. This is \$1,001,941 or 37.15 percent below target and 33.01 percent below October 2007 collections. When compared to the same month in the previous year, the overall use tax growth rate appears to have slowed in the last eight months (see chart on next page).

OVERALL USE TAX

Current Month Versus Same Month Prior Year



Use tax has entered a period of contraction with significant decreases from the prior year.

Fiscal Year Growth Rates

Fiscal Year	Year over Year Growth Rate
FY 2006	16.90%
FY 2007	9.81%
FY 2008	9.56%
FY 2009 (thru October)	-11.89%

FY 2009 is beginning the year down sharply from previous years.

FY 2009 Sales Tax Major Category Growth Rates

Category	Year-to-Date Growth Rate	% of Total Use Tax
Wholesale	19.01%	33.25%
Retail	-30.27%	20.60%
Services	-21.93%	13.43%
Non-Classified	-22.12%	10.83%
Transportation & Utilities	0.89%	7.29%
Manufacturing	3.83%	7.16%
Mining	-32.84%	5.81%
Other Miscellaneous	-19.29%	1.63%
Overall Growth Rate:	-11.89%	100.00%

Five out of eight categories are showing significant decreases over the same quarter in the previous year.

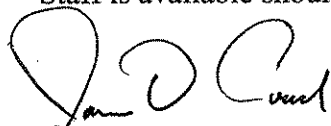
Staff noted the following factors contributing to the large decrease this month:

- In October's check there was a \$264,000 refund from a prior month.
- Various oil and gas related companies remitted much less than they did a year ago, having negative impacts on the mining, wholesale, services and non-classified categories.
- Several major retail chains remitted far less in the current check than a year ago. Also, a major grocer and several medical establishments curtailed use tax type purchases.

Use tax is a tax on goods purchased outside of Oklahoma for use, storage or consumption within the City of Oklahoma City. Business expansion, renovation or large investments in equipment and technology often is responsible for large use tax remittances. Use tax is highly volatile and may be considered a barometer for the economy as national business chains may curtail business expansion or delay large equipment purchases in an uncertain economy.

Recent trends in both sales and use tax collections could be a reflection of national economic conditions. Staff will continue to monitor this situation for potential negative impact on future collections.

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



James D. Couch
City Manager