

City Manager Report

The City of
OKLAHOMA CITY

NO: 6851

DATE: MARCH 24, 2009

TO: THE MAYOR and MEMBERS OF THE CITY COUNCIL

SUBJECT: SALES AND USE TAX REPORT FOR MARCH 2009

Combined sales and use taxes for the General Fund are \$653,401 above target for the year. Several extraordinary occurrences have improved FY 2009 collections including:

- The Oklahoma Tax Commission's Clean Slate '08 tax amnesty program netted \$1,413,545 for Oklahoma City.
- A one-time \$2.5 million use tax field audit payment.
- Federal tax rebate spending boosted retail in July and August

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 March allocation of sales tax to the General Fund totaled \$13,768,421. This is \$792,254 or 5.44 percent below target and 2.24 percent below March 2008 collections. The March check includes actual collections for the second half of January and estimated collections for the first part of February by major taxpayers.

March's below target collections decreased the year-to-date growth to 4.24 percent with six out of seven categories posting decreases in the current month.

FY 2009 Sales Tax Major Category Growth Rates

| Category | Mar 09 % Change From Mar 08 | Year-to-Date Growth Rate | % of Total Sales Tax |
|----------------------------|-----------------------------------|-----------------------------|-------------------------|
| Retail | -0.27% | 2.55% | 60.46% |
| Transportation & Utilities | -2.51% | 10.60% | 12.57% |
| Wholesale | 2.02% | 9.32% | 10.37% |
| Services | -3.34% | 1.66% | 10.78% |
| Manufacturing | -25.21% | 10.59% | 4.17% |
| Non-Classified | -25.88% | -6.34% | 1.25% |
| Other Miscellaneous | -18.01% | -3.86% | 0.41% |
| Percentage Change: | -2.24% | 4.24% | 100.00% |

While the large percentage decreases in manufacturing (-25.21%), non-classified (-25.88%) and miscellaneous (-18.01) are cause for concern, these three categories account for less than 7 percent of collections.

Manufacturing is discussed later in the report.

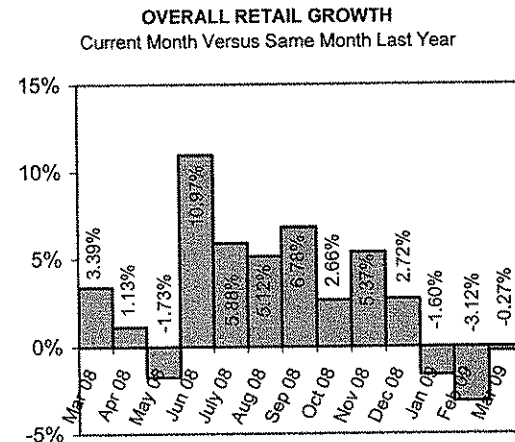
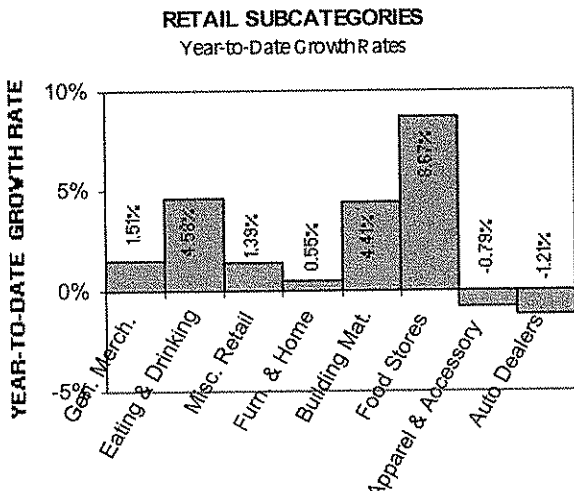
Retail overall decreased 0.27% compared to the same month last year, bringing the year-to-date growth rate down to 2.55 percent.

Retail subcategory growth was mixed with increases and decreases being seen across categories. Food stores grew 13.27 percent over the prior year while the eating and drinking subcategory was flat from the year before. This may reflect a shift in consumer spending in response to an uncertain economy. Miscellaneous retail is up 9.18 percent due to a \$319,213 negative adjustment in March 2008. Without this adjustment, miscellaneous retail would have had a decrease of 4.64 percent in March and overall retail would have decreased to a negative 2.22 percent.

Retail - March 2009 % Change from March 2008

| Category | % Change | % of Total Retail |
|----------------------------|---------------|-------------------|
| General Merchandise | 4.18% | 23.78% |
| Eating & Drinking | 0.32% | 18.61% |
| Miscellaneous Retail | 9.18% | 15.23% |
| Furniture and Home | -10.57% | 11.90% |
| Building Materials | -15.17% | 10.90% |
| Food Stores | 13.27% | 8.64% |
| Apparel & Accessory | -1.11% | 6.21% |
| Auto Dealers | -14.27% | 4.72% |
| Overall % Decrease: | -0.27% | 100.00% |

Furniture and home was hit hard by a decrease in consumer electronics, posting a 10.57 percent decline from the prior year. The building materials subcategory was down 15.17 percent in the current period on large decreases in lumber and other home related categories.



Food stores, building materials and eating and drinking subcategories are supporting retail's year-to-date growth rate of 2.55 percent.

Retail, which accounts for 60 percent of collections, is down for the 3rd consecutive month with this month's decrease of 0.27 percent. .

The transportation and utilities category was down 2.51 percent from March 2008, decreasing the year-to-date growth rate to 10.60 percent. The public utilities subcategory decreased 5.19 percent in the current period, lowering the year-to-date growth rate to 14.89 percent. Staff is concerned that lower gas prices will continue to negatively impact this subcategory.

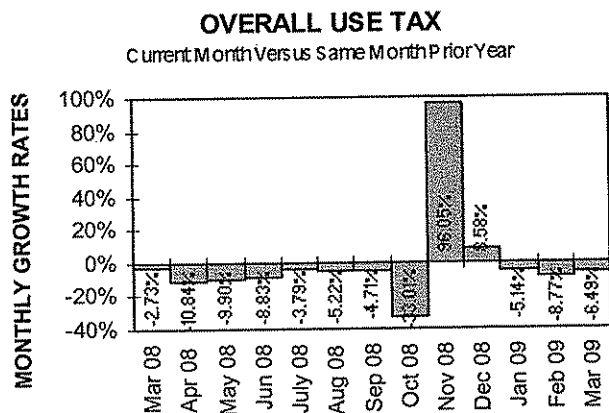
The wholesale category had a 2.02 percent increase from the same month prior year. Year-to-date growth is 9.32 percent.

The services category is up 1.66 percent year-to-date. Major service subcategories hotels (-1.66%), business services (-2.78%) and other services (6.89%) are showing mixed growth.

An analysis of manufacturing shows a refund of \$186,658 was granted to a major remitter in the current period. Furthermore, of the top 24 remitters, 66 percent were lower this year than last year.

General Fund Use Tax

The March allocation of use tax to the General Fund totaled \$1,929,657. This is \$269,763 or 12.27 percent below target and 6.49 percent below March 2008 collections. 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 are responsible for large use tax remittances.



For the most part, use tax collections are posting decreases as compared to the same month in the prior year.

The large November increase in use tax is attributable to Oklahoma Tax Commission field audit collections.

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 March) | 4.36% |

The year-to-date growth rate of 4.36 percent includes the large field audit collection of 2.5 million.

FY 2009 Use Tax Major Category Growth Rates

| Category | Year-to-Date Growth Rate | % of Total Use Tax |
|-----------------------------|--------------------------|--------------------|
| Wholesale | 7.37% | 28.97% |
| Retail | -17.73% | 22.02% |
| Mining | 118.33% | 14.03% |
| Services | -5.15% | 12.69% |
| Non-Classified | -9.45% | 8.85% |
| Manufacturing | 26.21% | 6.29% |
| Transportation & Utilities | 2.66% | 5.84% |
| Other Miscellaneous | -26.31% | 1.32% |
| Overall Growth Rate: | 4.36% | 100.00% |

Multiple categories are showing significant decreases below the same nine-month period in the previous year.

Large audit payments in November and December increased the mining category's growth rate significantly and improved year-to-date comparisons. Staff is available should you have questions or require additional information.


James D. Couch
City Manager

CITY OF OKLAHOMA CITY
SALES TAX COLLECTIONS
 March 2009

| | General Fund | Police Public Safety | Fire Public Safety | Zoo | Sports Facilities Improvement | MAPS for Kids | Police/Fire Equipment | MAPS | Total Sales Tax |
|-----------------------|---------------|----------------------|--------------------|-------------|-------------------------------|---------------|-----------------------|----------|-----------------|
| Current Month: | | | | | | | | | |
| Actual | \$13,768,421 | \$2,581,579 | \$2,581,579 | \$860,526 | \$6,884,211 | - | - | - | \$26,676,316 |
| Reallocations | - | - | - | - | - | - | - | - | - |
| Adjusted Actual | \$13,768,421 | \$2,581,579 | \$2,581,579 | \$860,526 | \$6,884,211 | - | - | - | \$26,676,316 |
| Target | \$14,560,675 | \$2,730,598 | \$2,730,598 | \$910,199 | \$7,274,520 | - | - | - | \$28,206,590 |
| +/- Target | (\$792,254) | (\$149,019) | (\$149,019) | (\$49,673) | (\$390,309) | - | - | - | (\$1,530,274) |
| %+/- Target | -5.44% | -5.46% | -5.46% | -5.46% | -5.37% | - | - | - | -5.43% |
| Prior Year Actual | \$14,084,323 | \$2,640,811 | \$2,640,811 | \$880,270 | - | \$7,035,319 | \$1,551 | \$579 | \$27,283,663 |
| +/- Prior Year | (\$315,901) | (\$59,232) | (\$59,232) | (\$19,744) | \$6,884,211 | (\$7,035,319) | (\$1,551) | (\$579) | (\$607,347) |
| %+/- Prior Year | -2.24% | -2.24% | -2.24% | -2.24% | - | -100.00% | - | - | -2.23% |
| Year-to-Date: | | | | | | | | | |
| Actual | \$139,316,940 | \$26,121,926 | \$26,121,926 | \$8,707,309 | \$6,884,211 | \$54,790,943 | \$671,185 | - | \$262,614,440 |
| Reallocations | \$16,396 | \$3,074 | \$3,074 | \$1,025 | \$2,645,187 | \$5,269,224 | \$14,338 | \$30,998 | 7,983,316.46 |
| Adjusted Actual | \$139,333,336 | \$26,125,000 | \$26,125,000 | \$8,708,334 | \$9,529,398 | \$60,060,167 | \$685,523 | \$30,998 | \$270,597,756 |
| Target | \$138,208,319 | \$25,913,959 | \$25,913,959 | \$8,637,986 | \$11,359,618 | \$57,697,481 | - | - | \$267,731,322 |
| +/- Target | \$1,125,017 | \$211,041 | \$211,041 | \$70,348 | (\$1,830,220) | \$2,362,686 | \$685,523 | \$30,998 | \$2,866,435 |
| %+/- Target | 0.81% | 0.81% | 0.81% | 0.81% | -16.11% | 4.09% | - | - | 1.07% |
| Prior Year Actual | \$133,663,232 | \$25,061,856 | \$25,061,856 | \$8,353,952 | \$0 | \$66,783,881 | \$13,352 | \$6,497 | \$258,944,627 |
| +/- Prior Year | \$5,670,104 | \$1,063,144 | \$1,063,144 | \$354,382 | \$9,529,398 | (\$6,723,714) | \$672,171 | \$24,501 | \$11,653,130 |
| %+/- Prior Year | 4.24% | 4.24% | 4.24% | 4.24% | - | -10.07% | - | 377.10% | 4.50% |
| | | | | | (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 February target for the Sports Facilities Improvement was based on an equal allocation between OC/MAPS and Sports Facility Improvement. In reality late December holiday sales versus early January sales resulted in a lower percentage (33%) of taxes being allocated to Sports Facilities Improvement.
- (3) Due to the transition from Maps for Kids to Sports Facilities Improvement, the reallocations were recorded last month in order to allocate the correct amounts to both Maps for Kids and Sports Facilities Improvement.

CITY OF OKLAHOMA CITY
USE TAX COLLECTIONS
 March 2009

| | <u>General Fund</u> | <u>City & Schools</u> | <u>Sports Facilities Improvement</u> | <u>Police/Fire Equipment</u> | <u>MAPS</u> | <u>Total Use Tax</u> |
|-----------------------|---------------------|---------------------------|--------------------------------------|------------------------------|-------------|----------------------|
| Current Month: | | | | | | |
| Actual | \$1,929,657 | - | \$671,185 | - | - | \$2,600,842 |
| Reallocations | - | - | \$0 | - | - | - |
| Adjusted Actual | \$1,929,657 | - | \$671,185 | - | - | \$2,600,842 |
| Target | \$2,199,420 | - | \$667,529 | - | - | \$2,866,949 |
| +/- Target | (\$269,763) | - | \$3,655 | - | - | (\$266,108) |
| %+/- Target | -12.27% | - | 0.55% | - | - | -9.28% |
| Prior Year Actual | \$2,063,599 | \$717,352 | - | \$1,063 | (\$595) | \$2,781,418 |
| +/- Prior Year | (\$133,942) | (\$717,352) | \$671,185 | (\$1,063) | \$595 | (\$180,577) |
| %+/- Prior Year | -6.49% | -100.00% | - | -100.00% | -100.00% | -6.49% |
| Year-to-Date: | | | | | | |
| Actual | \$22,193,462 | \$6,286,471 | \$671,185 | - | - | \$29,151,118 |
| Reallocations | (\$60,105) | \$656,734 | \$252,328 | (\$87,709) | \$561 | 761,809 |
| Adjusted Actual | \$22,133,357 | \$6,943,206 | \$923,513 | (\$87,709) | \$561 | \$29,912,927 |
| Target | \$22,604,973 | \$6,615,424 | \$1,055,924 | - | - | \$30,276,321 |
| +/- Target | (\$471,616) | \$327,782 | (\$132,411) | (\$87,709) | \$561 | (\$363,395) |
| %+/- Target | -2.09% | 4.95% | -12.54% | - | - | -1.20% |
| Prior Year Actual | \$21,209,586 | \$7,371,673 | - | (\$6,028) | \$4,079 | \$28,579,311 |
| +/- Prior Year | \$923,771 | (\$428,468) | \$923,513 | (\$81,682) | (\$3,518) | \$1,333,616 |
| %+/- Prior Year | 4.36% | -5.81% | - | -86.25% | -86.25% | 4.67% |
| | | (2) | (2) | (1) | (1) | |

NOTES:

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- (3) Due to the transition from Maps for Kids to Sports Facilities Improvement, the reallocations were recorded last month in order to allocate the appropriate amount to each fund.