

City Manager Report

The City of OKLAHOMA CITY

NO. 6891
 DATE SEPTEMBER 1, 2009
 TO: THE MAYOR and MEMBERS OF THE CITY COUNCIL
 SUBJECT: SALES AND USE TAX REPORT FOR AUGUST 2009

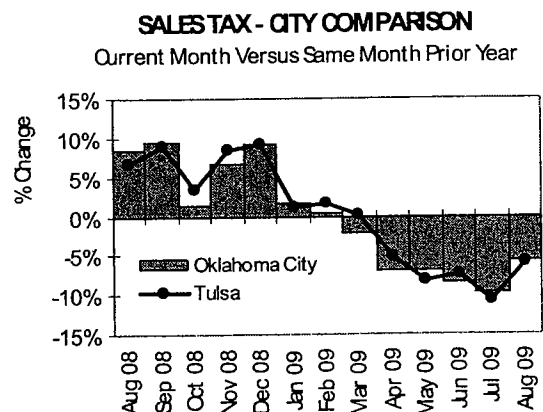
Combined sales and use taxes for the General Fund are \$3,894,583.00 below target for the year. Following is a report on sales and use taxes for the City's General Fund. Schedules summarizing activity for all funds are attached.

General Fund Sales Tax

The August allocation of sales tax to the General Fund totaled \$14,350,091. This is \$1,333,167 or 8.50 percent below target and 5.55 percent below August 2008 collections. The August remittance includes actual collections for the second half of June and estimated collections for the first half of July by major taxpayers.

A combination of Federal stimulus rebate checks received in the prior year and the current state of the economy are negatively impacting comparisons to the prior year, resulting in alarming decreases the past six months. Retail, our largest category, posted a decrease of 7.17 percent in August, its largest decline yet. More often than not, the City's largest taxpayers are remitting less than in the previous year. Tulsa is tracking with Oklahoma City and there is mounting evidence that a couple of Oklahoma City's suburban neighbors are beginning to see stagnant revenue. Comparisons to prior year may be negatively impacted further in coming months as substantial audit collections of \$1.4 million in sales tax and \$2.5 million in use tax were received in October and November of the prior year.

FY 2010 SALES TAX - MAJOR CATEGORY GROWTH RATES			
Category	Aug 09 % Change From Aug 08	Year-to-Date % Change	% of Total Sales Tax
Retail	-7.17%	-6.58%	62.56%
Transp. & Utilities	7.03%	4.73%	12.94%
Services	-3.61%	-9.65%	10.18%
Wholesale	-1.59%	-16.46%	9.95%
Manufacturing	-10.04%	-10.02%	3.71%
Non-Classified	-83.67%	-68.89%	0.34%
Other Misc.	-44.77%	-35.06%	0.34%
Overall % Change:	-5.55%	-7.62%	100.00%



Most categories are down:

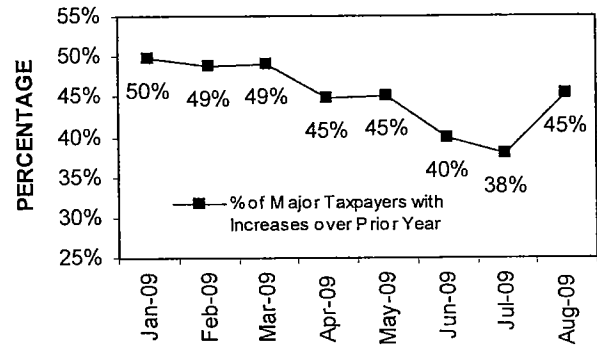
- Retail is negative for the eighth consecutive month, with 6 of 8 subcategories in decline.
- As was the case in the previous month, transportation and utilities is the only category with an increase, buoyed by telecommunication related remittances.
- Services category reflects decline in hotels and business services.
- Wholesale declined for the 5th consecutive month on low remittances of durable goods.

Tulsa's August remittance decrease (-5.83%) exceeded that of Oklahoma City's. Midwest City and Edmond had declines of 1.1 and 1.5 percent, respectively. Midwest City has posted small declines against prior year the last three months whereas Edmond has been down four of the last 5 months, definitely a change from the higher growth rates they have been accustomed to. Moore and Yukon had increases of 1.5 and 14.0 percent. Recent suburban retail expansion has helped insulate suburban cities from the large decreases currently being experienced by the State, Tulsa and Oklahoma City. The State Treasurer's August 11th press release reported their July collections were 8.6 percent below prior year.

The City's largest remitters tend to drive the percentage change in our sales tax. An analysis of remitters who remit greater than \$10,000 on average reveals that over the last eight months the percentage of remittances exceeding the prior year has dropped dramatically. Improvement in the remittances of our largest taxpayers is a prerequisite to a turnaround.

Another prerequisite to a turnaround is our largest category, retail. Retail dropped 7.17 percent against the prior year and accounts for \$1.3 million of the \$1.6 million decrease (across all funds) from the prior year. Six of the eight retail subcategories had negative growth in the current month as compared to August of last year. General merchandise (-6.52%) continues to be impacted by the loss of an anchor tenant at Crossroads Mall but significant increases in other core retailers are affecting this category as well. Eating and drinking subcategory (-2.16%) declined for the fourth month in a row. Miscellaneous retail (-9.74) posted declines in the prior year in 18 of 22 product categories. Electronics, computers, appliances and furniture continue to impede the furniture and home category (-19.53%) as consumers shy away from big-ticket items. The food stores subcategory is up 1.34 percent in August and 3.66 percent year-to-date.

SALES TAX - MAJOR REMITTERS
Current Month Versus Same Month Prior Year



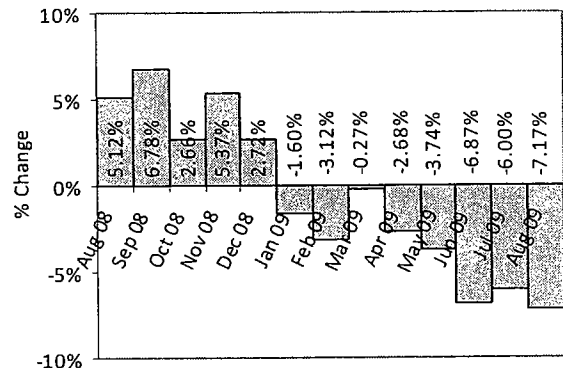
This chart demonstrates how major remitters are remitting less than they did in the prior year. While August had obvious improvement, still only 45% of major taxpayers remitted more than in the previous year.

Spending is down 7.25% at department stores and there is evidence that consumers are shying away from big-ticket items such as consumer electronics (-32.3%), computers (-26.3%) and furniture (-24.6%).

RETAIL - MAJOR CATEGORY GROWTH RATES

Category	Aug 09 % Change From Aug 08	Year-to-Date % Change	% of Total Retail
General Merchandise	-6.52%	-5.29%	22.72%
Eating & Drinking	-2.16%	-2.66%	19.82%
Miscellaneous Retail	-9.74%	-7.19%	14.80%
Building Materials	1.26%	-0.14%	12.87%
Furniture and Home	-19.53%	-21.37%	10.24%
Food Stores	1.34%	3.66%	9.49%
Apparel & Accessory	-10.89%	-10.20%	5.72%
Auto Dealers	-21.65%	-18.22%	4.33%
Overall % Change:	-7.17%	-6.58%	100.00%

OVERALL RETAIL GROWTH
Current Month Versus Same Month Last Year



Next month's collections may have difficulty comparing back to September 2008's 6.78% growth.

Transportation & utilities category was up 7.03 percent overall with telecommunications up 15.20 percent and utilities exhibiting modest growth of 2.77 percent.

The services category declined 3.61 percent with the hotels subcategory down 3.50 percent, business services down 15.01 percent and other services up 4.11 percent.

Wholesale posted a decline of 1.59 percent on large decreases in durable goods (metals and industrial machinery).

General Fund Use Tax

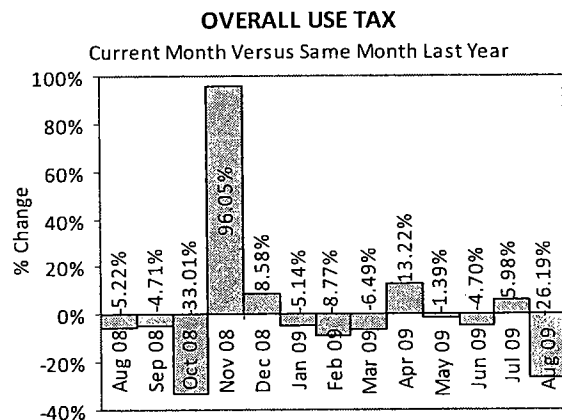
The August allocation of use tax to the General Fund totaled \$1,913,774. This is \$694,803 or 26.64 percent below target and 26.17 percent below August 2008 collections.

Several mining related companies and a retailer specializing in office related goods are responsible for much of the decrease in the wholesale category.

A medical related company who historically remits large amounts of use tax on goods consumed or used within Oklahoma City received a large refund of \$147,000 in August. \$383,000 was previously paid to the City for the period being adjusted.

Although comparisons to November of the prior year are likely to be very negative, the use tax target for November 2009 takes into account the \$2.5 million audit collection that was received last year.

FY 2010 USE TAX - MAJOR CATEGORY GROWTH RATES			
Category	Aug 09 % Change		% of Total Use Tax
	From Aug 08	Year-to-Date % Change	
Wholesale	-34.29%	-16.37%	27.79%
Services	-50.60%	20.68%	15.96%
Retail	-10.11%	-15.29%	26.37%
Non-Classified	-49.98%	-23.84%	10.35%
Manufacturing	8.56%	15.48%	6.66%
Mining	39.40%	3.51%	5.52%
Transp. & Utilities	-35.94%	-47.10%	4.90%
Other Misc.	157.88%	54.68%	2.44%
Overall % Change:	-26.17%	-11.61%	100.00%



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
August 2009

	<u>General Fund</u>	<u>Police Public Safety</u>	<u>Fire Public Safety</u>	<u>Zoo</u>	<u>Sports Facilities Improvement</u>	<u>MAPS for Kids</u>	<u>Police/Fire Equipment</u>	<u>MAPS</u>	<u>Total Sales Tax</u>
Current Month:									
Actual	\$14,348,789	\$2,690,398	\$2,690,398	\$896,799	\$7,174,394	-	-	-	\$27,800,779
Reallocations	\$1,302	\$244	\$244	\$81	(\$15,543)	\$6,791	\$942	\$5,938	-
Adjusted Actual	\$14,350,091	\$2,690,642	\$2,690,642	\$896,881	\$7,158,851	\$6,791	\$942	\$5,938	\$27,800,779
Target	\$15,683,258	\$2,940,611	\$2,940,611	\$981,958	\$7,841,629	-	-	-	\$30,388,067
+/- Target	(\$1,333,167)	(\$249,969)	(\$249,969)	(\$85,077)	(\$682,778)	\$6,791	\$942	\$5,938	(\$2,587,288)
%+/- Target	-8.50%	-8.50%	-8.50%	-8.66%	-8.71%	-	-	-	-8.51%
Prior Year Actual	\$15,192,539	\$2,848,601	\$2,848,601	\$949,534	\$0	\$7,591,531	\$2,034	\$902	\$29,433,742
+/- Prior Year	(\$842,448)	(\$157,959)	(\$157,959)	(\$52,653)	\$7,158,851	(\$7,584,740)	(\$1,092)	\$5,035	(\$1,632,964)
%+/- Prior Year	-5.55%	-5.55%	-5.55%	-5.55%	-	-99.91%	-53.67%	558.12%	-5.55%
Year-to-Date:									
Actual	\$28,222,480	\$5,291,715	\$5,291,715	\$1,763,905	\$14,111,240	-	-	-	\$54,681,054
Reallocations	\$4,009	\$752	\$752	\$251	(\$73,005)	\$56,844	\$3,050	\$7,348	-
Adjusted Actual	\$28,226,488	\$5,292,467	\$5,292,467	\$1,764,156	\$14,038,235	\$56,844	\$3,050	\$7,348	\$54,681,054
Target	\$31,540,706	\$5,913,883	\$5,913,883	\$1,973,481	\$15,770,353	-	-	-	\$61,112,306
+/- Target	(\$3,314,218)	(\$621,416)	(\$621,416)	(\$209,325)	(\$1,732,118)	\$56,844	\$3,050	\$7,348	(\$6,431,252)
%+/- Target	-10.51%	-10.51%	-10.51%	-10.61%	-10.98%	-	-	-	-10.52%
Prior Year Actual	\$30,553,818	\$5,728,841	\$5,728,841	\$1,909,614	-	\$15,269,043	\$2,775	\$1,963	\$59,194,895
+/- Prior Year	(\$2,327,330)	(\$436,374)	(\$436,374)	(\$145,458)	\$14,038,235	(\$15,212,198)	\$275	\$5,385	(\$4,513,841)
%+/- Prior Year	-7.62%	-7.62%	-7.62%	-7.62%	-	-99.63%	9.89%	274.25%	-7.63%
					(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 January 1, 2009.

CITY OF OKLAHOMA CITY
USE TAX COLLECTIONS
August 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	\$1,913,120	-	\$665,433	-	-	\$2,578,553
Reallocations	\$654	(\$14,942)	\$13,071	\$1,078	\$139	-
Adjusted Actual	\$1,913,774	(\$14,942)	\$678,504	\$1,078	\$139	\$2,578,553
Target	\$2,608,577	-	\$907,334	-	-	\$3,515,911
+/- Target	(\$694,803)	(\$14,942)	(\$228,830)	\$1,078	\$139	(\$937,358)
% +/- Target	-26.64%	-	-25.22%	-	-	-26.66%
Prior Year Actual	\$2,591,989	\$866,735	-	\$15,650	\$44	\$3,474,418
+/- Prior Year	(\$678,214)	(\$881,678)	\$678,504	(\$14,572)	\$95	(\$895,865)
% +/- Prior Year	-26.17%	-101.72%	-	-93.11%	214.83%	-25.78%
Year-to-Date:						
Actual	\$4,185,062	-	\$1,455,674	-	-	\$5,640,735
Reallocations	\$660	(\$101,514)	\$99,581	\$1,132	\$141	-
Adjusted Actual	\$4,185,722	(\$101,514)	\$1,555,255	\$1,132	\$141	\$5,640,735
Target	\$4,766,087	-	\$1,657,772	-	-	\$6,423,859
+/- Target	(\$580,365)	(\$101,514)	(\$102,517)	\$1,132	\$141	(\$783,124)
% +/- Target	-12.18%	-	-6.18%	-	-	-12.19%
Prior Year Actual	\$4,735,778	\$1,621,900	-	\$7,756	\$64	\$6,365,497
+/- Prior Year	(\$50,056)	(\$1,723,414)	\$1,555,255	(\$6,624)	\$77	(\$724,762)
% +/- Prior Year	-11.61%	-106.26%	-	-85.40%	121.26%	-11.39%
		(2)	(2)	(1)	(1)	

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