



TOWN OF
QUEEN CREEK
ARIZONA

FY 25-26

Financial Report

Operating Budget to Actual Performance
Fiscal Year to Date through October 2025
(Unaudited)

Issued December 4, 2025

The information herein is provided for reference only, is not intended to contain information material to a decision to purchase or sell obligations, and does not, and is not intended to, indicate future or continuing trends of the financial condition or other affairs of the Town. No representation is made as to the materiality of such information. Any budgeted information, unaudited information, forecasts, projections, opinions, assumptions or estimates contained herein are "forward looking statements" that must be read with an abundance of caution and may not be realized or may not occur in the future.

Executive Summary

The Town's budget-to-actual performance for FY 25-26 shows favorable variances for both revenues and expenses. Actual revenues are favorable, with receipts exceeding expectations by \$2.8M (6%). This is mainly the result of Construction Sales Tax revenues performing better than expected due to continued residential and commercial growth in the Town and construction of the LGES manufacturing facility. Operating Budget revenues excluding Construction Sales Tax are slightly unfavorable by \$0.7M or 1%. The Town's largest Sales Tax Category is Retail and this, while still meeting expectations, will not see the double digit year-over-year increases seen in past years. The Town is monitoring certain aspects within the economy such as continued inflation and the impacts of tariffs, which have created some headwinds for consumers. If warranted in the coming months, revenue adjustments may occur to reduce expected outcomes.

The FY 25-26 budget includes an estimate of 815 new single-family permits and 535 multi-family units, for a total of 1,350 residential units. Through October 2025, the Town issued permits for 348 single-family units and no multi-family units, for a total of 348 residential units, or 26% of the annual total.

Total expenses to date are \$4.7M (9%) below budget. This favorable variance comes from a combination of vacancy savings in personnel costs and savings in several expenditure categories including street and building maintenance and repairs, other general governmental services, and equipment and vehicles. The revised budget also includes increases to the budget of \$12.0M for carry-forward projects and equipment which were not completed in the prior fiscal year.

The Revised Operating Budget anticipates that revenues will exceed expenses (before transfers) by the end of the fiscal year. The year-to-date actual results are performing well with revenues exceeding expenses by \$5.8M through October.

The Operating Budget's preliminary ending fund balance is \$195.6M, broken down as follows:

- \$41.7M in the 25% Operating Reserves
- \$51.7M in PSPRS and ASRS pension reserves
- \$3.0M in the Road Replacement reserve
- \$50.5 in the Infrastructure and Debt Management Reserve
- \$19.7 in the Investment Sinking Fund
- \$29.0M unreserved fund balance

The Arizona economy remains diversified and consistent with unemployment remaining comparatively low. Still, inflation and fluctuating interest rates continue to impact the local and regional housing markets. New single-family housing starts remain consistent with expectations in Queen Creek; but, higher mortgage interest rates have kept many would-be homebuyers on the sidelines. Multi-family communities have slowed their development plans, a situation that staff is monitoring closely.

Total population growth will continue to drive new commercial development and maintain the Town's steady revenue growth. Despite this steady growth, the Town is closely monitoring revenue trends and other available data, to assess the strength of the local economy. Pages 10-12 of this report contain economic indicators and housing market data that staff is following closely.

Operating Budget

The Operating Budget includes activity in the General, Streets (HURF), Emergency Services, and Horseshoe Park Equestrian Center (HPEC) funds. Actual revenues are above expenses by \$5.8M due to continued revenue growth and expense savings. This aligns with the forecasted full year revised budget which indicates revenues will exceed expenses by \$12.5M through June.

The Total Revised Expense Budget reflects \$12.0M that was carried forward from the previous fiscal year to provide spending authority for various projects and equipment needs. This includes \$7.7M of additional police vehicles that have been approved for ordering up to two years in advance, a strategy designed to ensure we have enough vehicles for the Police Department's rapidly expanding head count.

The Town's total Operating fund balance reflects a revised ending balance of \$195.6M. Of the total fund balance, \$51.7M is reserved for pension funding and \$41.7M is reserved for operations based on the Town's 25% Reserve Policy. Notably, both pension reserves are fully funded, representing 100% of the Town's estimated unfunded pension liabilities for the Operating Budget as of June 30, 2025.

Additional restrictions have been placed on portions of the remaining fund balance to ensure funds are reserved for specific future uses. These restrictions further limit the amount of available fund balance that can be used for general purposes. The remaining unrestricted balance is available to support future policy objectives at the direction of the Town Council.

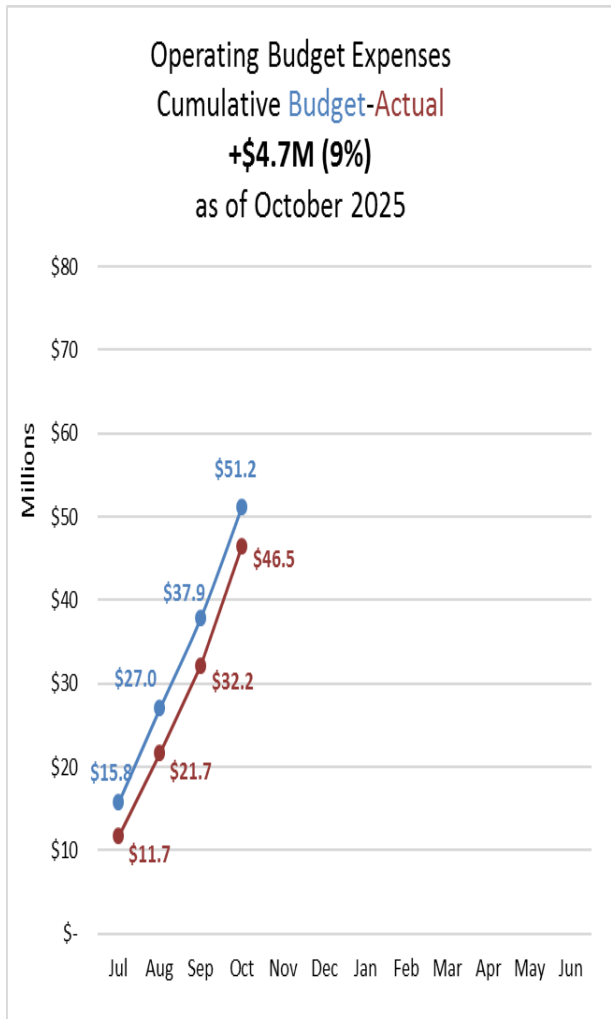
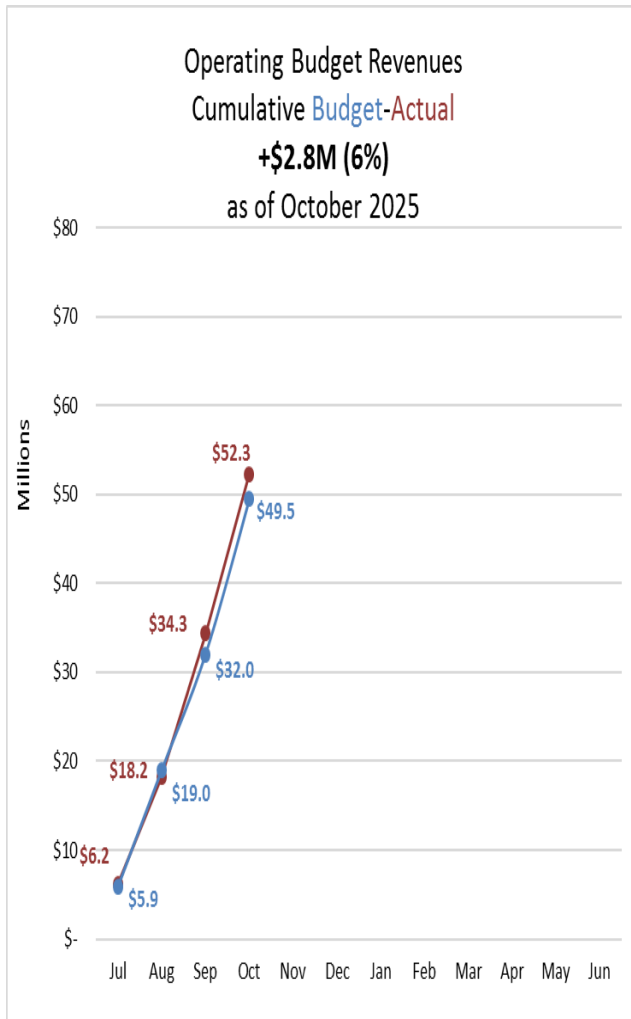
Summary FY 24-25 Operating Budget - October 2025

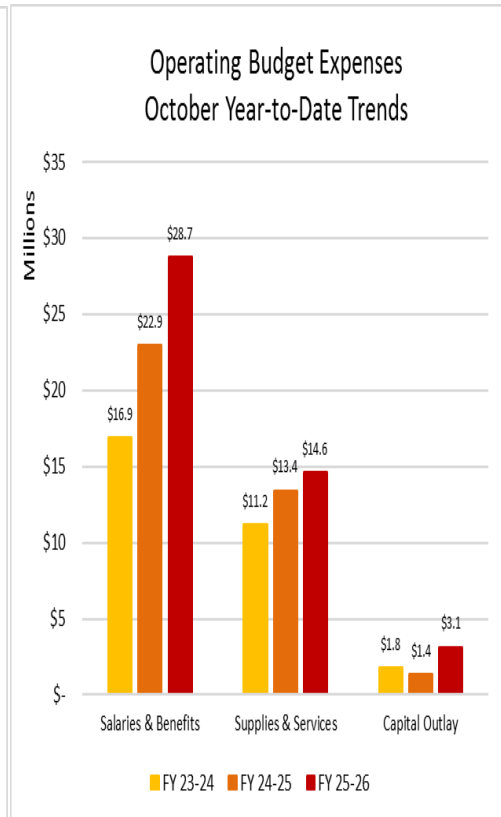
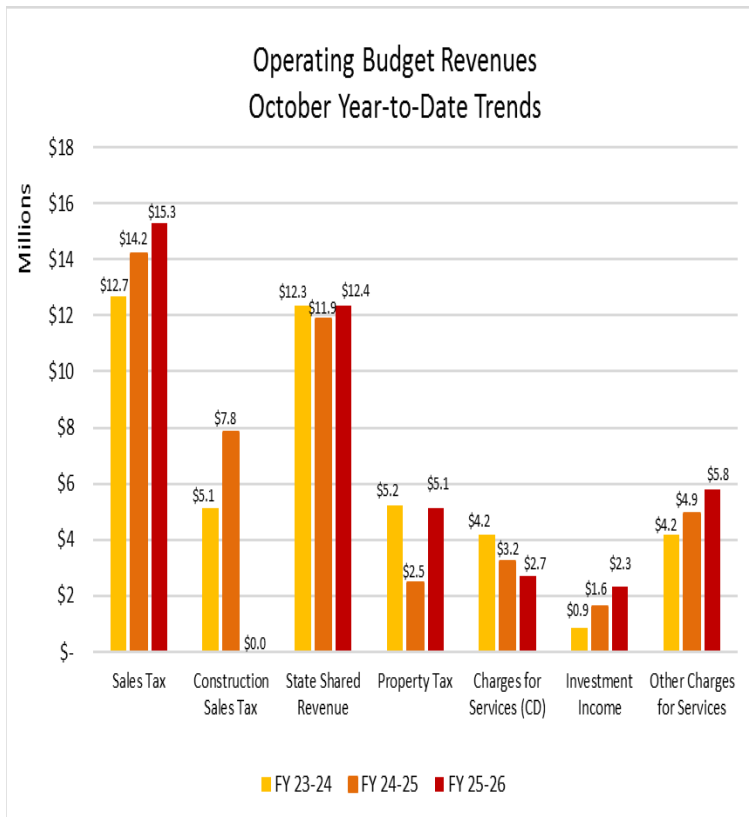
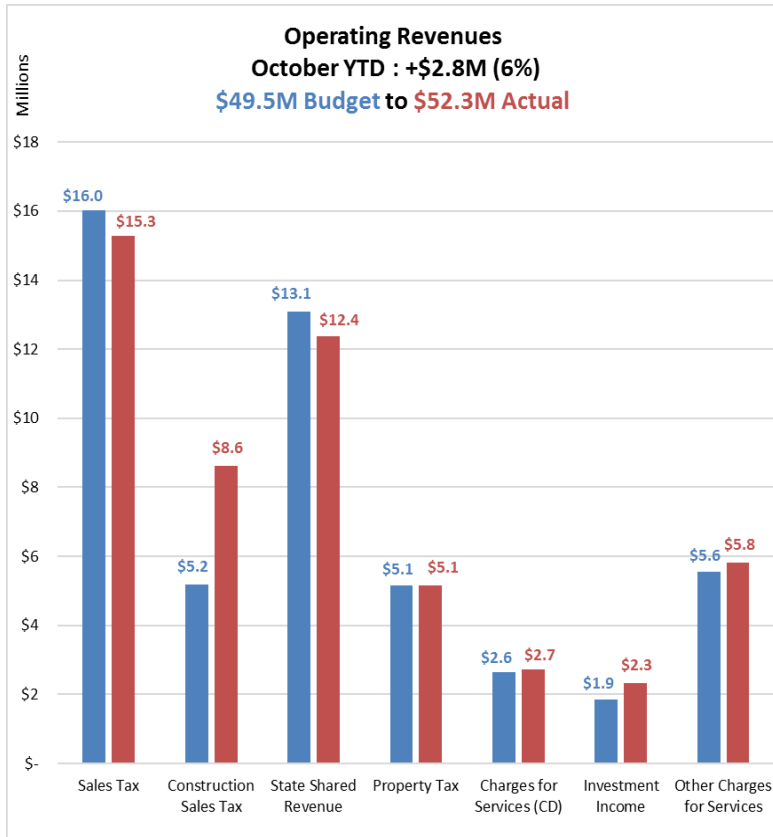
	FY 25-26	FY 25-26	FY 25-26	FY 25-26
	Total Adopted Budget	Total Revised Budget	Year-to-Date Budget	Year-to-Date Actual
Revenues	\$ 176,065,621	\$ 176,462,493	\$ 49,471,394	\$ 52,264,166
Expenses	150,695,685	163,982,409	51,205,807	46,510,761
Operating Results	\$ 25,369,936	\$ 12,480,084	\$ (1,734,414)	\$ 5,753,406
Transfers Out:				
Debt Service	\$ 23,950,914	\$ 23,950,910	\$ -	\$ -
CIP	2,445,800	6,101,880	1,502,944	1,502,944
Net Transfers Out	\$ (26,396,714)	\$ (30,052,790)	\$ (1,502,944)	\$ (1,502,944)
Net Operating Results	\$ (1,026,778)	\$ (17,572,706)	\$ (3,237,358)	\$ 4,250,462
Beginning Fund Balance	\$ 142,488,656	\$ 213,216,274		
Ending Fund Balance	\$ 141,461,878	\$ 195,643,568		
25% Revenue Reserve	\$ 44,709,400	\$ 41,737,580		
Police Unfunded Pension Liability Reserve	19,334,929	19,334,929		
ASRS Unfunded Pension Liability Reserve	32,356,663	32,356,663		
Road Replacement Funding Reserve	3,000,000	3,000,000		
Infrastructure and Debt Management Reserve	3,158,692	50,515,577		
Investment Sinking Fund	-	19,697,457		
Available Fund Balance	38,902,194	29,001,362		
Total Fund Balance	\$ 141,461,878	\$ 195,643,568		

FY 25-26 Year-to-Date Results - October 2025

	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)		Total FY 25-26 Budget	YTD Actual as % of Total Budget
Revenues						
Sales Tax	\$ 16,022,669	\$ 15,279,202	\$ (743,466)	(5%)	\$ 69,314,940	22%
State Shared Revenue	13,090,640	12,368,298	(722,342)	(6%)	38,785,400	32%
Property Tax	5,146,021	5,145,715	(306)	(0%)	14,810,813	35%
Charges for Services (CD)*	2,632,258	2,726,334	94,076	4%	7,208,800	38%
Investment Income	1,850,295	2,320,296	470,001	25%	5,314,166	44%
Other Charges for Services	5,553,481	5,817,647	264,166	5%	20,423,695	28%
Subtotal before Construction Sales Tax	\$ 44,295,364	\$ 43,657,493	\$ (637,871)	(1%)	\$ 155,857,814	28%
Expenditures						
Salaries & Benefits	\$ 30,546,405	\$ 28,726,436	\$ 1,819,969	6%	\$ 89,060,639	32%
Supplies & Services	17,413,731	14,635,365	2,778,366	16%	57,768,555	25%
Capital Outlay	3,245,671	3,148,960	96,711	3%	17,153,215	18%
Total Expenditures	\$ 51,205,807	\$ 46,510,761	\$ 4,695,047	9%	\$ 163,982,409	28%

*Consists of Community Development Charges for Services including permits, planning and engineering fees





Revenue Analysis

For FY 25-26, actual revenues are reporting a 6% favorable variance compared to the year-to-date revised budget estimates. The variances of the Revenue Categories are explained below.

Sales Tax

Sales Tax revenues are slightly unfavorable by 5%, through October with \$15.3M collected. While the Town foresees a strong year, the double digit growth experience in prior years will likely not occur again this year. Consumer spending is still supporting growth in this category but there are certain headwinds in the economy such as the ongoing impact of inflation on the prices of taxable items and the impacts tariffs are having on imported goods. Based on foot traffic data from Placer AI, the rolling annual total visits to the Town Center area (a major shopping area in Town) have increased by 2% over the past 12 months, including traffic over the past calendar year from Costco, Ashley Furniture, and Hobby Lobby from people who reside in zip code 85142. Also, for the same period, 38% of visits to the Town Center area were made by individuals who live in zip codes outside of the Town (areas such as San Tan Valley, Florence, and Eastmark), a ratio consistent with prior months. Please refer to the Sales Tax Report (Appendix 1) for additional analysis of sales tax activity.

Construction Sales Tax

Construction Sales Tax revenues are \$3.4M (66%) above budget. Much of this positive variance comes from the LGES manufacturing facility in the State Lands area that is currently under construction. Throughout the life of this project, we can expect to see higher than average construction sales tax collections. Revisions to this category will be likely as FY 25-26 continues based on development and unexpected changes in construction activity. While development is expected to remain consistent, the Town expects less activity than in the prior fiscal year.

In addition to LGES, construction sales tax continues to come in from completion of new homes that were permitted several months ago as well as from strong commercial construction activity. Also, similar to sales tax, persistent inflation has increased the cost of construction projects, which in turn increases the amount of construction sales tax paid on those projects. Please refer to the Sales Tax Report (Appendix 1) for additional analysis of construction sales tax activity.

State-Shared Revenue

State-shared revenues are slightly unfavorable at \$0.7M (6%) below the budget estimate but are 4% higher than the same period last year. The current variance is mostly related to receipts in the HURF category with the actuals at the State level underperforming slightly. The state's economy remains strong, and the Town's fast-growing population relative to the rest of the state has increased the Town's proportionate share of distributions for all state-shared revenue categories.

Property Tax

Property Tax actuals are at budget through October. This category is forecasted and collected based on when property owners remit their property taxes. The Town receives the majority of its property tax distributions in October and November, and the remainder in April and May, due to Arizona's statutes that allow property owners to pay their annual property taxes in two installments.

Charges for Services – Community Development (CD)

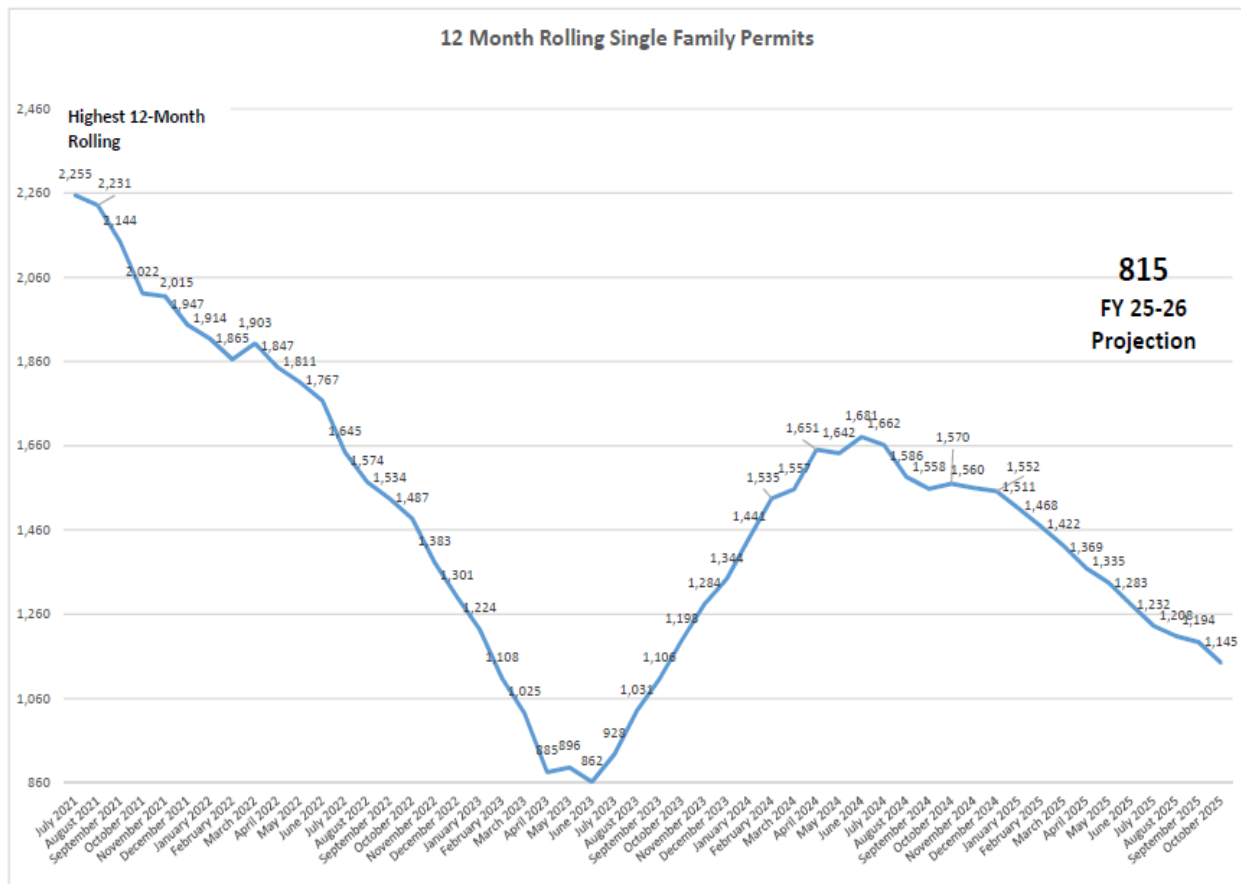
Charges for Services-CD accounts for planning, engineering and building permit revenues. The variance for these revenues is currently favorable by \$94K (4%), as presented in the following schedule:

October 2025 YTD Community Development Detailed Revenues

Charges for Services (CD)	YTD Budget	Actual	\$ Variance	% Variance
Planning Revenue	\$ 66,416	\$ 53,040	\$ (13,376)	(20%)
Engineering Revenue	285,963	403,939	117,976	41%
Building Permit Revenue	2,279,879	2,269,355	(10,524)	(0%)
Total Charges for Services (CD)	\$ 2,632,258	\$ 2,726,334	\$ 94,076	4%

Community Development revenue is tied to new and proposed development activity in the Town for new subdivisions, commercial developments, zoning changes, and annexations. Planning and Building Permit Revenue are highly variable as they depend on when developers submit applications and plans for review, and when this process is complete and permits can be issued. Permits issued during the first quarter have aligned closely with the forecast which is evidenced by the minimal variance.

The FY 25-26 revised budget includes an estimate of 815 single-family permits for the year. Through October the Town issued 348 single-family permits, or 43% of the total estimate. The rolling 12-month single-family permit trend has declined since June 2024, although demand for new housing in Queen Creek continues to be consistent relative to historical trends, as shown in the chart below.



Multi-family housing has added more units to the Town’s housing supply in recent years. However, through October, the Town has not issued any permits, compared to the budget estimate of 535 for the year. This is due to certain developers pausing their progress or slowing projects in the near term. Development Services and Finance staff are monitoring this trend in multi-family developments to identify

any potential industry-wide trends that could impact our revenue estimates for the current and next fiscal year.

Investment Income

Investment Income is currently favorable by \$0.4M or 44%. This is due to the current investment earnings being tied largely to decisions in previous periods related to investment options, while interest rates were higher. Investment Income comes from two main sources: earnings on the Town's Local Government Investment Pool (LGIP) account with the State Treasurer, and earnings on longer-term investments in the Town's core investment portfolio.

Despite recent rate cuts by the Federal Reserve, the LGIP continues to generate yields of approximately 4%. We expect these yields to decrease slightly in the near to mid-term as the Fed has signaled its intent to closely monitor short-term rates. In response, we continually review the Town's asset allocation to determine the proper mix of LGIP and longer-term investments for the Town's available cash. We have directed the Town's investment advisory firm to look for opportunities in the three to five-year range, which is longer than we have historically invested but still complies with the Town's investment policy. In all cases, the Town's investment strategy is guided by our core objectives of safety first, then liquidity, and then yield.

Other Charges for Services

Other Charges for Services is comprised of a number of different sources and is currently reporting a \$0.3M (5%) favorable variance.

The Other Revenue category includes Parks and Recreation facilities, Horseshoe Equestrian Center (HPEC), Town-wide Grants and other revenues charged by departments for various services provided. This category also includes Departmental Support Revenue which accounts for an approximately \$1.9M (32%) of the total revenue currently being reported in this category.

Economic Indicators

Pages 10-12 of this report include key economic indicators and housing market data that staff is monitoring as we compare current revenue estimates against the latest economic news. Other indicators may be added in future reports as we identify those metrics that are most relevant to the Town's revenue forecasts.

Expense Analysis

For FY 25-26, actual expenses currently have a 9% favorable variance compared to the year-to-date budget estimates. The variances of the Expense Categories are explained below.

Salaries and Benefits

Salaries and Benefits expenses are favorable by \$1.9M (6%). In the operating budget, there are currently 52 total positions vacant as of October. Of these positions, 17 are new positions approved in the FY 25-26 budget, with the remaining 35 positions vacant due to turnover in existing positions. The largest vacancies exist within the Police department with 20 current vacancies. The Town continues to experience difficulty in recruiting qualified applicants to fill various roles throughout the Town.

Supplies and Services

Supplies and Services expenses currently have a \$2.8M (16%) favorable variance. This includes unspent budget on road maintenance projects in the HURF Fund that are still being prepared for contract approval. Other savings are coming from multiple categories including general services, vehicle maintenance, and maintenance costs for buildings and streets. This variance is expected to smooth out as the year continues, as initial spending and budget spreads can impact variances earlier in the year.

Capital Outlay

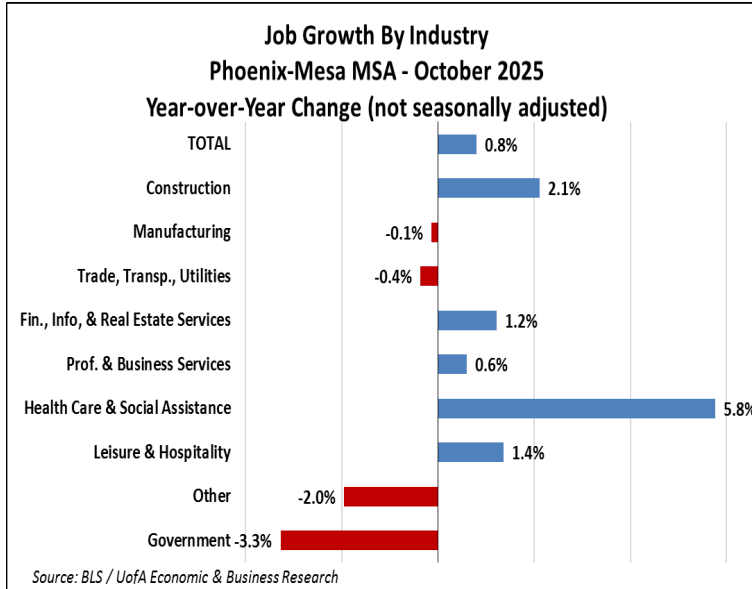
Capital Outlay expenses are showing a \$0.1M (3%) favorable variance. The budgets in this category are generally for one-time purchases related to major equipment and special projects. The largest variance in this line is for one-time vehicle purchases, many of which are public-safety related. Supply chains remain challenging for long-lead type items which include fleet size vehicle purchases for police vehicles and fire apparatus. Carryforward from the prior year related to vehicles totaled \$7.7M for Police alone. These funds have been dispersed within the budget later in the year as purchases are expected to occur. Additional tariff impacts at the federal level may impact spending in this category.

Outstanding Encumbrances

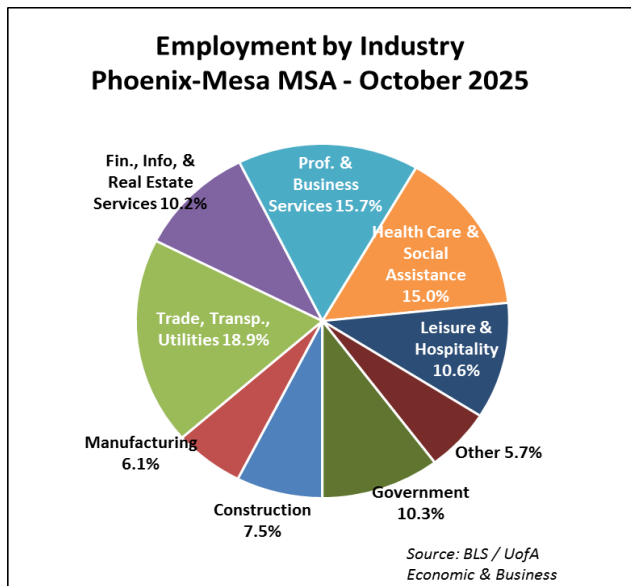
The following schedule displays year-to-date expenses and outstanding encumbrances for the Supplies & Services and Capital Outlay categories. This schedule provides a view of both actual spending and contractual commitments relative to the total budgets in these categories. This data helps gauge the pace at which departments are committing Town funds relative to their total annual budgets. At the end of the fiscal year, the Outstanding Encumbrance amounts help measure the need for and size of potential carry-forward authorizations that will be required in the next fiscal year.

Expenditure Category:	October 2025 Expenses and Encumbrances				
	YTD Actual	Outstanding Encumbrances	Total Actual + Encumbrances	Total FY 25-26 Budget	YTD Spent & Encumbered
Supplies & Services	\$ 14,635,365	\$ 16,970,708	\$ 31,606,073	\$ 57,768,555	55%
Capital Outlay	3,148,960	8,407,398	11,556,359	17,153,215	67%
Total	\$ 17,784,325	\$ 25,378,106	\$ 43,162,431	\$ 74,921,770	58%

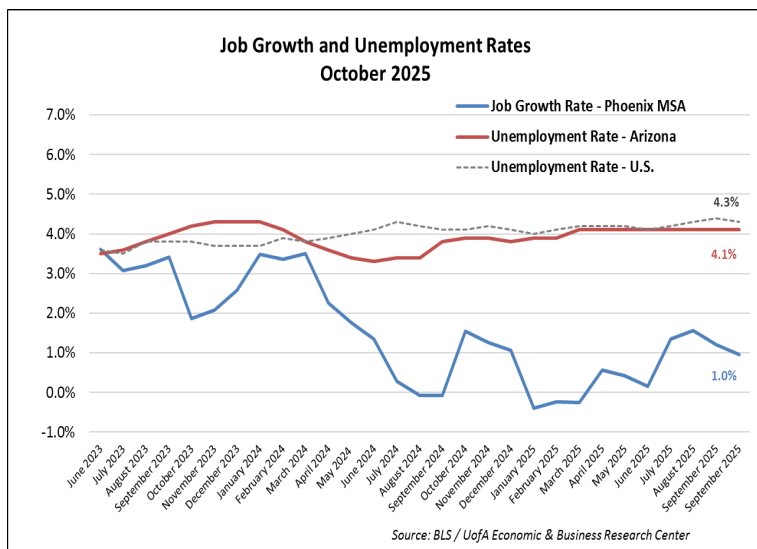
Economic Indicators



This chart demonstrates which industries have added or lost jobs, compared to the same month one year ago. This information is useful to identify which sectors may be growing or shrinking in the region. In the current environment, Health Care & Social Assistance, Construction, and Leisure and Hospitality represent the majority of the Phoenix MSA's year-over-year increases. Specifically, and consistently, growth has happened in ambulatory health, and private educational services. Recently, several sectors have shed jobs in the region with Government decreasing at a notable percent.

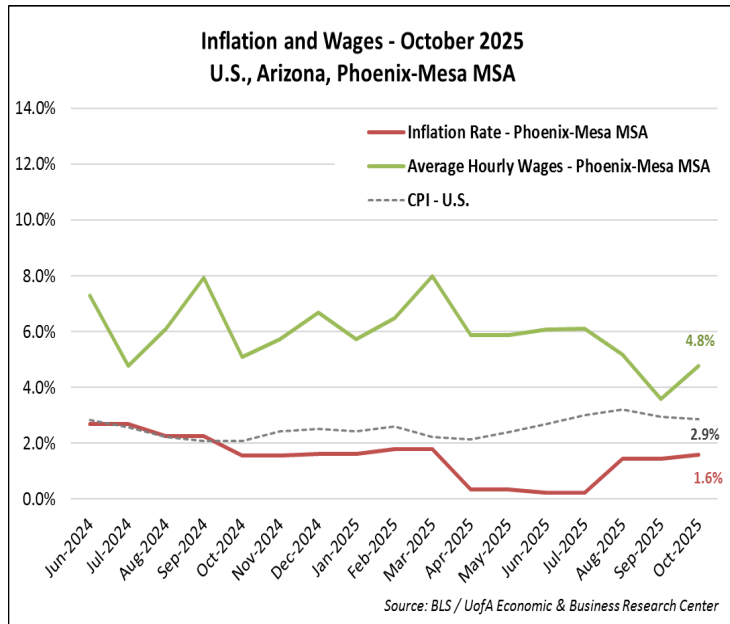


This chart shows the relative size of each major employment industry in the region. The Phoenix employment base is reasonably diversified with a healthy mix of industries, meaning the regional economy is not overly reliant on one industry to maintain a stable job base.



This chart tracks the rate at which jobs are being created and lost in the Phoenix metro area. Most economists consider an unemployment rate below 6% as "full employment." Low unemployment reflects a strong and growing economy, which is one factor that can impact future population growth. But a tight labor market puts pressure on wages as employers try to recruit and retain talent. In turn, this can drive inflation on the cost of goods and services.

Economic Indicators



This chart compares the rates of inflation and wage growth to gauge the extent to which wages are keeping up with inflation. Persistently high inflation that outpaces income growth can impact households' spending patterns over time. Slower wage growth could help reduce inflation as wages are a key component of prices, but it may affect households' ability to keep up with the cost of living. The Phoenix Metro area has seen some year-over-year volatility, however there seems to be an equilibrium in the local market. Even so, increases to average hourly wages would benefit the local economy.

Housing Market Indicators			
	Current	1 Year Prior	1 Year Change
Home Prices and Affordability			
Federal Housing Finance Agency House Price Index:			
Phoenix-Mesa MSA	617.3	621.4	(0.7)%
U.S.	435.4	429.7	1.3%
Median Home Prices:			
Queen Creek	\$ 630,000	\$ 647,500	(2.7)%
Phoenix-Mesa MSA	\$ 441,000	\$ 440,000	0.2%
Arizona	\$ 475,000	\$ 499,450	(4.9)%
U.S.	\$ 415,200	\$ 406,800	2.1%
Housing Cost vs. Wage Growth:			
30-Year Fixed Mortgage Interest Rate	6.17%	6.72%	(8.2)%
Monthly Payment on QC Median Home ⁽¹⁾	\$ 3,061	\$ 3,331	(8.1)%
Average Hourly Wage - Phoenix-Mesa MSA	\$ 36.60	\$ 35.33	3.6%
Real Estate Activity			
SF Homes Sold - Queen Creek	145	132	9.8%
SF Days on Market - Queen Creek	82	76	7.9%
SF Homes Sold - Phoenix-Mesa MSA	4,904	4,539	8.0%
SF Active Listings - Phoenix-Mesa MSA	20,754	18,138	14.4%
New Single-Family Building Permits			
Queen Creek	105	154	(31.8)%
Phoenix / Pinal County Region	1,650	2,645	(37.6)%
Queen Creek 12-Month Rolling Total	1,145	1,570	(27.1)%
Regional 12-Month Rolling Total	22,097	27,776	(20.4)%

Source: Freddie Mac / Federal Reserve Bank of St. Louis / UofA Economic & Business Research Center / Redfin / QC Development Services

These housing data points indicate how the price and volume of housing activity are changing in Queen Creek and the Phoenix Region.

Home Prices and Affordability – These factors measure the changes in the price of existing homes and the impact of higher interest rates. Prices in Queen Creek have stabilized over the last few months, in contrast to sharp increases experienced over the past few years. While relenting somewhat, mortgage rates continue to be elevated which, combined with high home prices, are keeping some buyers out of the housing market.

Real Estate Activity – These data points track the volume of existing home sales in Queen Creek and the Phoenix region. Trends in Queen Creek reflect stability which aligns with overall regional trends.

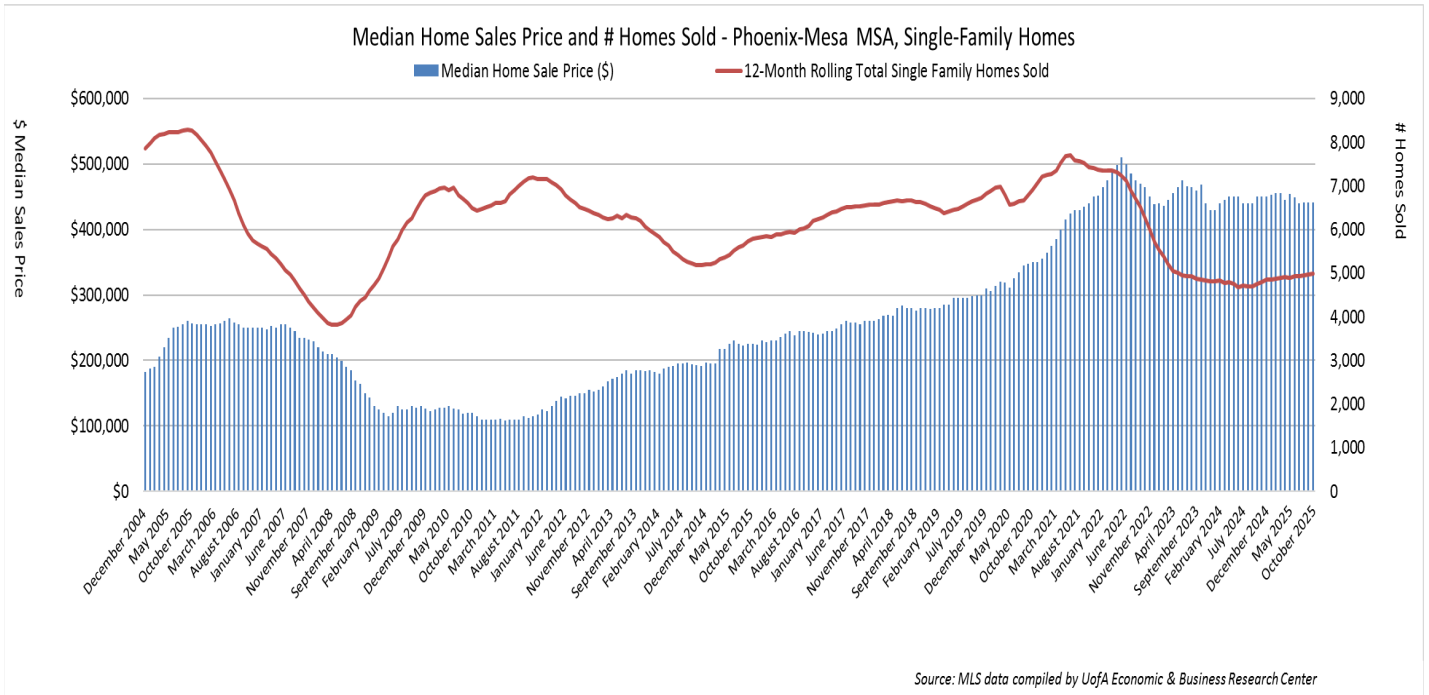
New SF Building Permits – The latest data show new home construction in Queen Creek at lower levels than the same month last year, consistent with trends across the region.

⁽¹⁾ Assumes 20% down, 30-year conventional mortgage

Economic Indicators

Historical Single-Family Housing Prices and Sales

This chart provides a 20-year history of existing single-family home prices and sales volumes in the Phoenix Metro area. Two decades of data are provided to give context and order-of-magnitude perspective to the current market compared to prior periods of growth and contraction, including the historical downturn of 2008-2010. This chart shows a rapid acceleration in existing home prices at the onset of the COVID-19 pandemic in March 2020 and then a drop in prices and volume since long-term interest rates began rising in April 2022. The last year has seen stabilization in the median sales price and a gradual decline in the volume of homes sold. Persistent demand for housing is clashing with the lack of available existing homes for sale and is a major factor that is driving new home construction in the region.





TOWN OF
QUEEN CREEK
ARIZONA

FY 25-26 Sales Tax Report

FY 25-26 Business Activity through September 2026
(Unaudited)

Issued December 2026

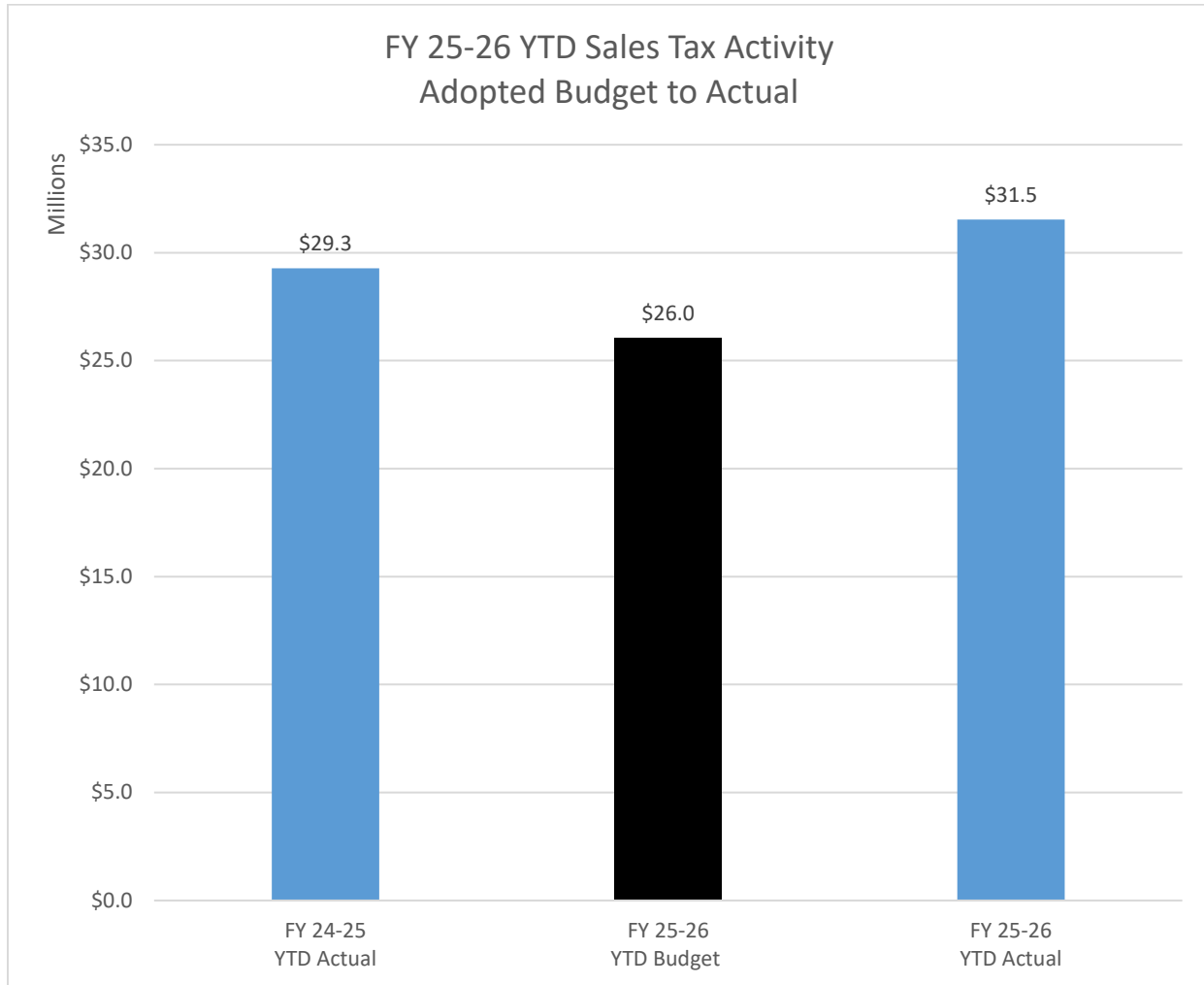
This report contains information regarding the actual revenue collections from the Town's 2.0% sales tax reflected in the General Fund, 0.25% dedicated EMS sales tax, and the 2.0% Construction Contracting sales tax dedicated to infrastructure improvements.

The information herein is provided for reference only, is not intended to contain information material to a decision to purchase or sell obligations, and does not, and is not intended to, indicate future or continuing trends of the financial condition or other affairs of the Town. No representation is made as to the materiality of such information. Any budgeted information, unaudited information, forecasts, projections, opinions, assumptions or estimates contained herein are "forward looking statements" that must be read with an abundance of caution and may not be realized or may not occur in the future.

YEAR-TO-DATE FY 25-26 SALES TAX ACTIVITY

OVERALL PERFORMANCE SUMMARY:

The FY 25-26 sales tax revenue total of \$26.0M exceeds the revised budget by 21%, or \$5.5M. Relative to FY 24-25, FY 25-26 actuals are 8%, or \$2.3M higher than the previous year.



Sales Category	FY 24-25 YTD Actual	FY 25-26 YTD Budget	FY 25-26 YTD Actual	FY 25-26 YTD Budget-To-Actual		FY 24-25 YTD Actual to FY 25-26 YTD Actual	
				\$ Variance	% Variance	\$ Increase	% Increase
Retail Trade	\$ 10,290,312	\$ 12,336,142	\$ 11,037,322	\$ (1,298,820)	(11%)	\$ 747,010	7%
Communications & Utilities	\$ 1,108,281	\$ 840,463	\$ 1,119,967	\$ 279,503	33%	\$ 11,685	1%
Restaurant & Bar	\$ 1,567,759	\$ 1,839,382	\$ 1,772,055	\$ (67,327)	(4%)	\$ 204,296	13%
Real Estate, Rental & Leasing	\$ 1,200,878	\$ 869,466	\$ 887,029	\$ 17,563	2%	\$ (313,849)	(26%)
All Others**	\$ 345,982	\$ 658,336	\$ 462,829	\$ (195,507)	(30%)	\$ 116,847	34%
Subtotal Without Construction	\$ 14,513,212	\$ 16,543,789	\$ 15,279,202	\$ (1,264,587)	-8%	\$ 765,990	5%
Construction	\$ 14,767,411	\$ 9,478,589	\$ 16,257,051	\$ 6,778,462	72%	\$ 1,489,640	10%
Total	\$ 29,280,623	\$ 26,022,377	\$ 31,536,252	\$ 5,513,875	21%	\$ 2,255,630	8%

**All Others includes transportation, wholesale trade, finance and insurance, services, arts and entertainment, and other categories.

Note: Reporting categories are based on Arizona Department of Revenue Business Code classifications.

ANALYSIS

Town of Queen Creek sales tax collections are positively impacted by the high incomes of Town households. Per the 2024 American Communities Survey data provided by the U.S. Census, Queen Creek's median household income is \$155,001, which is among the highest in the region for full-service cities and towns.

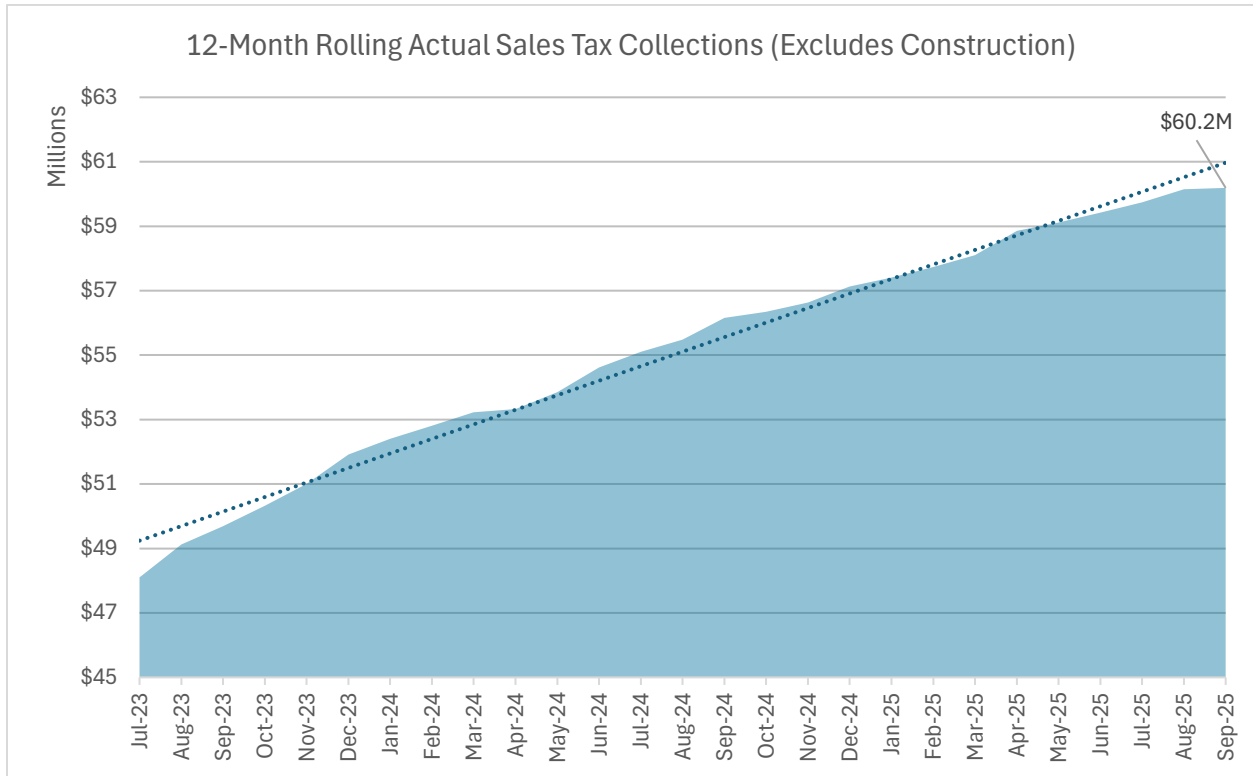
The Town utilizes data sources to analyze consumer foot traffic to create customized reports for different geographical areas and time periods. This data is being used to analyze the number of visits to commercial developments within the town and compare current foot traffic with prior periods. When comparing data from September 2024 and September 2025, the number of visits to the Town Center increased by about 2%. A further discussion of this data can be found in the Retail Trade section.

Additionally, taxable spending from an estimated 100K+ population from Eastmark master-planned community (Mesa) and unincorporated San Tan Valley has a significant impact on the Town's sales tax revenues. According to PlacerAi, approximately 37% of visits to the Town Center area from September 2024 through September 2025 were from individuals living in zip code 85142. An additional 38% of visits to the Town Center during the same time period were made by individuals living in zip codes covering San Tan Valley, Florence, Gilbert, and Eastmark.

September sales tax collections in FY 25-26 were higher than in FY 24-25. However, the margin of growth was unexpectedly small this month when compared to September of FY24-25. This is due to two reasons: the removal of the rental tax in January 1st, 2025, and a nearly flat retail growth. The slower than usual retail growth could be driven by several factors, including unemployment, which increased to 4.1% from 3.7% compared to last year in August according to the Arizona Office of Economic Opportunity. Other factors could be inflation, interest rates, tariffs, and lower consumer confidence. A more in-depth discussion can be found in the retail trade section of this report.

HISTORICAL 12 MONTH ROLLING PERIODS

The following section presents a 12-month rolling historical chart of actual sales tax base data (excluding construction). This chart is useful to identify the overall data trends since FY24 in all non-construction sales tax categories. Of note is the slowdown in growth since June 2025 when compared to the historical trendline.



YEAR-TO-DATE ANALYSIS BY CATEGORY

CONSTRUCTION CONTRACTING:

Construction sales tax is collected on all construction activities; commercial, new residential and major residential remodels. It also includes landscaping, painting, flooring installation, siding, roofing, concrete, plumbing, heating, framing, drywall, infrastructure, masonry, finish carpentry, etc. Speculative construction activity (developing land for sale as a building site) is also included in this category.

September 2025 Actuals: \$5.4M

FY 25-26 YTD Actuals: \$16.3M

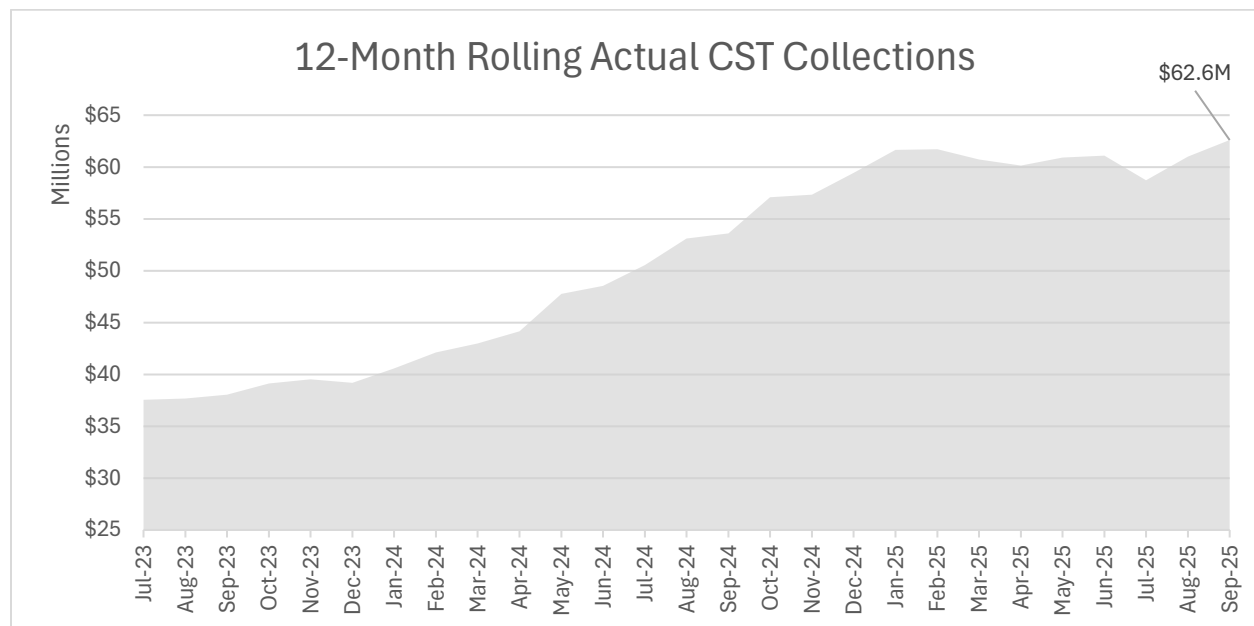
FY 25-26 YTD Adopted Budget to Actual Variance of \$6.7M or 72%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$1.5M or 10%

FY 25-26 collections are higher than the FY 25-26 adopted budget and higher than the prior fiscal year actuals through September activity.

Sales Tax Discussion

Performance in construction contracting has been largely dependent in recent years on new home sales and in particular, the large-scale homebuilders. Homebuilders have been impacted by supply chain issues stemming from the COVID-19 pandemic and increasing home prices throughout the greater Phoenix region. Additionally, elevated interest rates are also impacting affordability, resulting in reduced demand for new homes. Despite reduced demand for new single-family homes, the 12-month rolling sales tax collections from construction contracting has grown since FY24, which can be seen in the following graph.



Though known major homebuilders accounted for the majority of construction contracting sales tax revenues for the month of September, construction of multi-family and commercial developments is responsible for a large share. As seen below, the share of construction sales tax revenues coming from non-homebuilders has grown in the past few years. This shows that despite a decrease in demand for

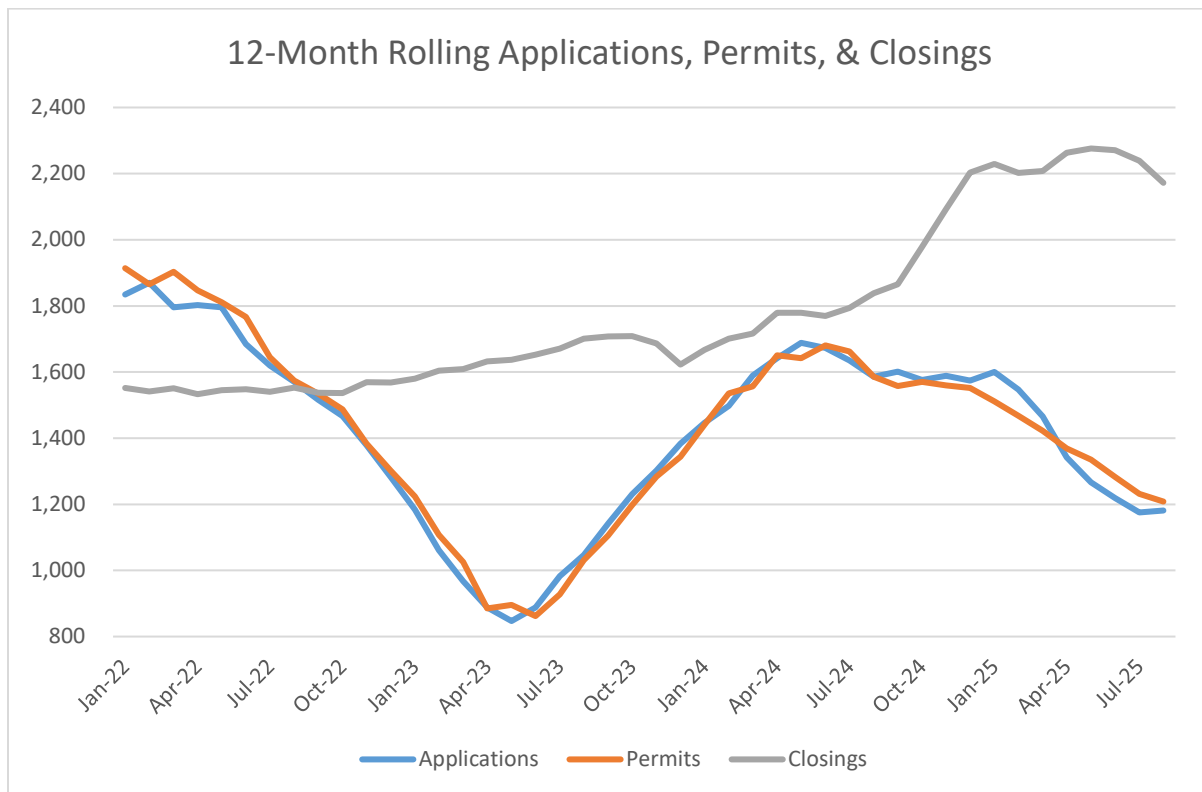
Appendix 1: Queen Creek Monthly Sales Tax Report

single family homes over the past few years, multi-family and non-residential activity is remaining strong and making up the difference in construction sales tax revenues. Additionally, construction activity in the State Lands area relating to the LG industrial project is having a positive impact on construction sales tax revenues.

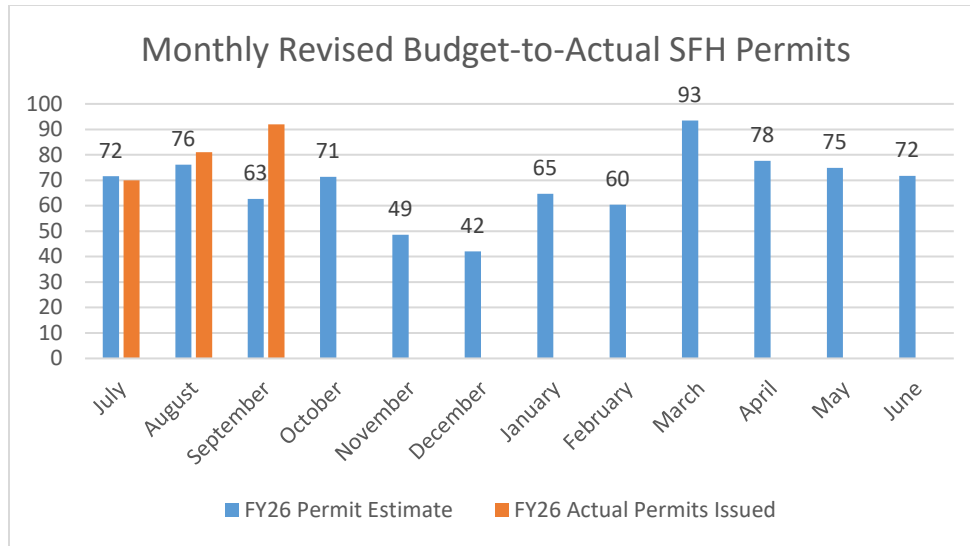
Business Type	FY24 YTD Actuals		FY25 YTD Actuals		FY26 YTD Actuals	
	Sales Tax (\$)	% of Total	Sales Tax (\$)	% of Total	Sales Tax (\$)	% of Total
Homebuilders	\$6.0M	62%	\$8.7M	59%	\$6.5M	40%
Gen. Contractors, Pool/ Landscape, & Other Specialized Trades	\$3.7M	38%	\$6.0M	41%	\$9.8M	60%
Total	\$9.7M	100%	\$14.8M	100%	\$16.3M	100%

New Single Family Home Applications, Permits, and Closings

Town staff is also monitoring single family home permit applications, permit issuances, and closings to better understand how the aforementioned factors are impacting the Town's single family home market. The following graph displays new single-family home (NSF) applications, permits issued, and home completions over a rolling 12-month period dating back to January 2022:



Appendix 1: Queen Creek Monthly Sales Tax Report



As seen in the graphs above, the 12-month rolling applications and permits decreased steadily throughout FY 22-23, but rebounded in FY 24-25. The FY 25-26 adopted budget included a single family home permit estimate of 815 permits. Actual permits issued through September were about 16% above the adopted year-to-date budget.

After almost 24 months of decline, the uptick in permits issued over the past year has caused the 12-month rolling permit total to increase to a peak of around 1,600 permits and has been slowly trending downwards towards 1,000 permit in a single 12 month period. Overall, the Town made up 5% of total NSF permits issued in the greater Phoenix area in September.

New Home Closings and Prices

The Town utilizes RL Brown Housing Reports, an independent source of housing market information, to track monthly home sales, which are an indicator of construction sales tax receipts for the month. RL Brown's data indicates that Queen Creek had 114 new home sales close in the month of September with an average sales price of \$723K for these homes. The following table shows the monthly closings by builder, average sale price, and estimated gross revenue for the month of September for new homes that closed within the Town.

Appendix 1: Queen Creek Monthly Sales Tax Report

Builder	# Closings	Avg. Sale Price	Est. Gross Revenue
TAYLOR MORRISON	22	\$ 904,201	19,892,417
LENNAR HOMES	13	\$ 632,025	8,216,330
PULTE HOMES	11	\$ 770,084	8,470,924
SHEA HOMES	10	\$ 811,840	8,118,399
WILLIAM LYON HOMES	10	\$ 496,404	4,964,035
FULTON HOMES	9	\$ 800,023	7,200,207
RICHMOND AMERICAN	8	\$ 676,996	5,415,970
KB HOME	7	\$ 524,226	3,669,585
MATTAMY HOMES	5	\$ 667,999	3,339,997
ASHTON WOODS HOMES	5	\$ 696,066	3,480,331
THE NEW HOME COMPANY	4	\$ 494,495	1,977,980
ELLIOTT HOMES	3	\$ 854,670	2,564,010
WOODSIDE HOMES	3	\$ 445,160	1,335,480
DAVID WEEKLEY HOMES	2	\$ 562,597	1,125,194
MISC CUSTOM	1	\$ 1,425,000	1,425,000
TOLL BROTHERS	1	\$ 1,188,235	1,188,235
Grand Total	114	\$ 722,667	82,384,094

RETAIL TRADE:

Retail trade includes large department stores, auto dealers, grocery stores, supercenters, automotive repairs, discount stores, home furnishings, drug stores, jewelry and other vendors typically selling merchandise in small quantities to the public. Use tax is also included in this category.

September 2025 Actuals: \$3.6M

FY 25-26 YTD Actuals: \$11.0M

FY 25-26 YTD Adopted Budget to Actual Variance of (\$1.3M) or (11%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$747K or 7%

FY 25-26 YTD collections in the retail category were higher than the FY 25-26 prior year actual collections.

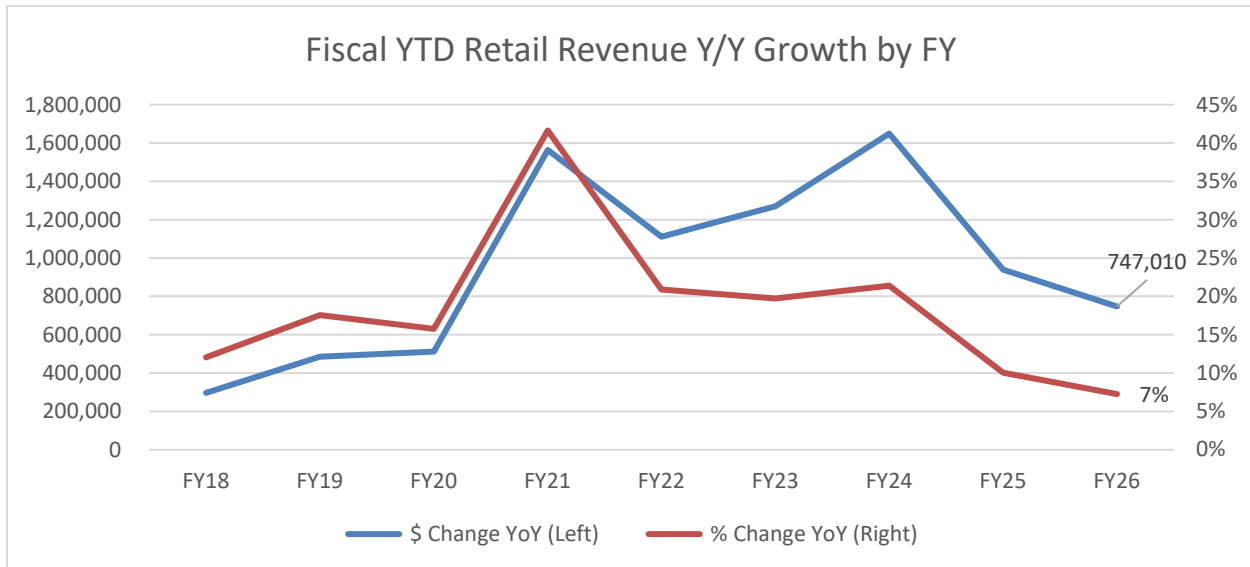
Compared to the previous fiscal year, new businesses continue to open and contribute to the Town's sales tax base. The higher-dollar entities drive revenue in this class. In September, the top 20 payers of 7,879 total payers in the retail category delivered 61% of the revenue. The top 10 payers in the category account for 52% of the total.

The Town Center area includes large shopping centers in town such as Queen Creek Marketplace, QC District, Cornerstone at Queen Creek, Terravella, and Queen Creek Crossing (Costco development). According to data from PlacerAI, the rolling 12-month total visits to the Town Center have remained about the same between September 2024 and September 2025. When comparing visits to a singular month, between September 2024 versus September 2025, the total number of visits to the Town Center area is approximately 2%.

Appendix 1: Queen Creek Monthly Sales Tax Report

Of the total retail sales tax collections in September, at least \$604K, or 17%, is estimated to come from e-commerce transactions. September 2025 e-commerce sales tax collections are 1% lower than collections in September 2024.

High inflation has a direct impact on the collections in the retail category. Retail sales tax collections increase as prices rise, but collections are also impacted by changes in consumer behavior that September come as a result of those increased prices (buying less items, switching to generic brands, etc.). Staff continue to closely monitor the retail sales tax category to identify impacts of high inflation on Queen Creek consumers and businesses, especially as the tariff situation evolves at the national level.



From July through September, the Town has historically experienced strong year-over-year (YoY) growth in the retail category; however, this momentum has decelerated in the last two years. While sales tax revenue continues to grow at a healthy rate of approximately 7% YoY, this represents a notable slowdown compared to the 20%+ growth levels observed in prior years. While retail revenue for the month of September showed little year-over-year change, the Town’s population growth forecast results in a lower per-capita spending figure for September of FY25–26 relative to FY24–25. Staff is monitoring tariffs, unemployment, interest rates, and other economic conditions to ensure the accuracy and reliability of financial forecasts and adjusting as necessary.

COMMUNICATIONS/UTILITIES:

This category includes businesses that provide telecommunications (internet, telephone, cellular service, cable/satellite television, etc.) and electricity, gas, or water services.

September 2025 Actuals: \$346K

FY 25-26 YTD Actuals: \$1.1M

FY 25-26 YTD Adopted Budget to Actual Variance of \$279K or 33%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$12K or 1%

Year-to-date collections in the communications/utilities category are higher than the adopted FY 25-26 budget and prior year collections. This variance can be attributed to new single-family homes, multi-family projects, and non-residential developments within the Town.

RESTAURANTS & BARS:

This industry is comprised of establishments serving customers by preparing meals, snacks, and beverages for immediate consumption.

September 2025 Actuals: \$596K

FY 25-26 YTD Actuals: \$1.7M

FY 25-26 YTD Adopted Budget to Actual Variance of \$(67K) or (4%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$204K or 13%

This category is slightly lower than the current year revised budget and moderately higher than prior year's actual collections. Performance in this category has fallen slightly short of original expectations, likely due to the maturation of the local restaurant market. Whereas earlier new openings have likely kept residents from dining at neighboring towns, current restaurants now likely compete with one another. Strong population growth is keeping this category relatively strong year over year despite the market saturation.

RENTAL, REAL ESTATE & LEASES:

This category consists of entities engaged in renting or leasing tangible and intangible assets as well as other establishments providing related services.

September 2025 Actuals: \$304K

FY 25-26 YTD Actuals: \$887K

FY 25-26 YTD Adopted Budget to Actual Variance of \$17.5K or 2%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Decrease of \$(313K) or (26%)

This category's collections are above the revised budget, but below prior year collections. This can be attributed to the continued development of commercial properties that have become available for rent to tenants this year. Due to recent legislation, long-term residential leases are no longer taxable since the beginning in January 2025, which explains the variance we are seeing when comparing FY 25-26 to FY 24-25.

ALL OTHER CATEGORIES:

The categories included here are transportation, accommodation, manufacturing, wholesale trade, finance and insurance, services, and arts and entertainment.

September 2025 Actuals: \$163K

FY 25-26 YTD Actuals: \$463K

FY 25-26 YTD Adopted Budget to Actual Variance of \$(195k) or (30%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$117K or 34%

This category is below the revised budget. The variance in the 'All Other' category between the budget and last year's actuals is higher than usual partially due to a change in tax remittance from a major taxpayer that has been identified which should be resolved this fiscal year.

ATTACHMENT 1:

SALES TAX BACKGROUND INFORMATION:

The Town of Queen Creek’s sales tax is the largest revenue source for Town operations. The Town of Queen Creek’s Transaction Privilege Tax (TPT) program is administered by the State of Arizona’s Department of Revenue (AZDOR). AZDOR issues TPT licenses to businesses, updates license data, provides support, collects tax dollars due, performs audits, and distributes the tax revenue to the Town.

SALES TAX RATE DETAILS

The Town of Queen Creek has the following sales tax rates:

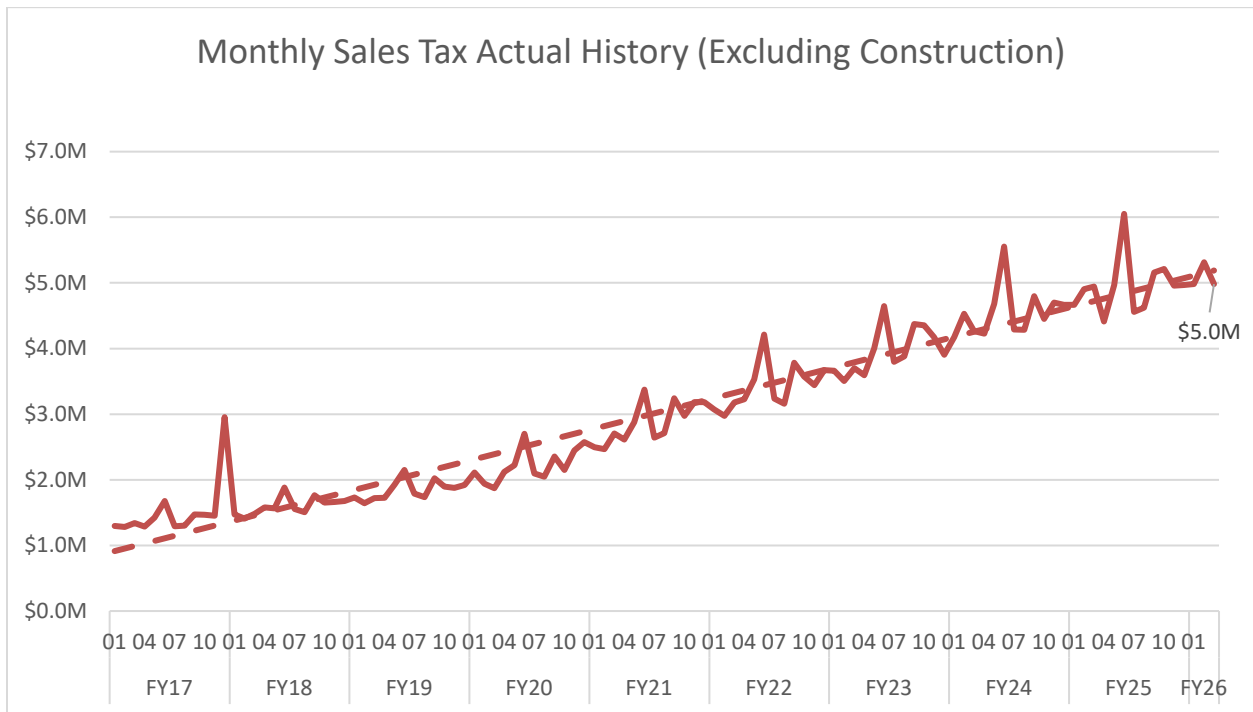
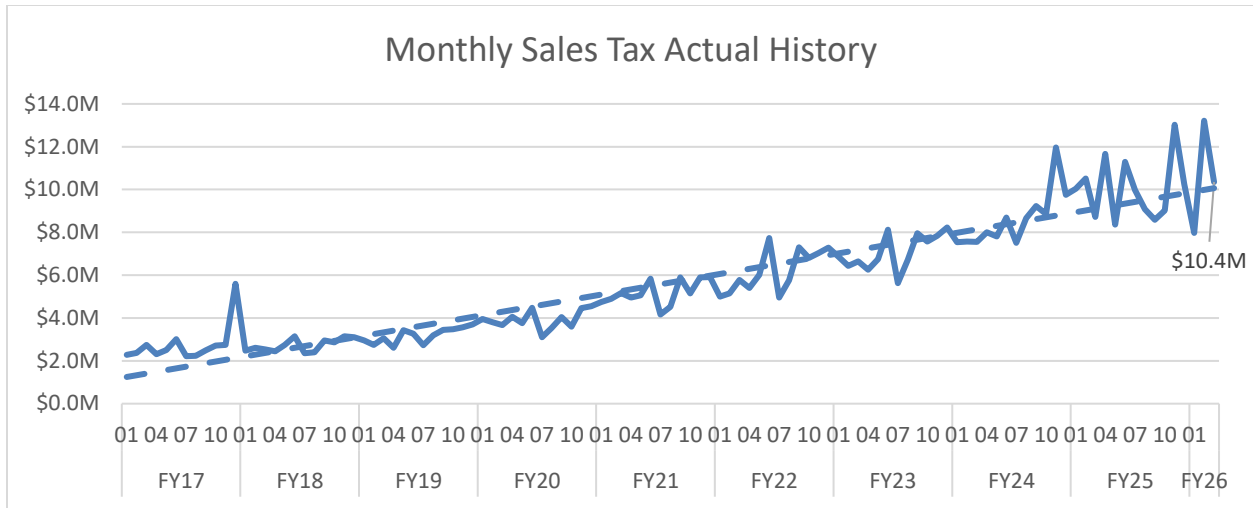
- 2.0% tax rate charged on all taxable activities within Town limits
 - Dedicated to the General Fund for general purpose government operations
- 0.25% tax rate charged on all taxable activities within Town limits
 - Dedicated to the Emergency Services (EMS) Fund to fund law enforcement and fire and medical services
- 2.0% additional tax rate on construction contracting activities within Town limits
 - Dedicated to funding infrastructure improvements within Town limits

Sales Tax Rate Components			
Queen Creek Rate		Construction Contracting Rate	
General Fund	2.00%	General Fund	2.00%
EMS	0.25%	EMS	0.25%
		Construction Fund	2.00%
Total Rate	2.25%	Total Rate	4.25%

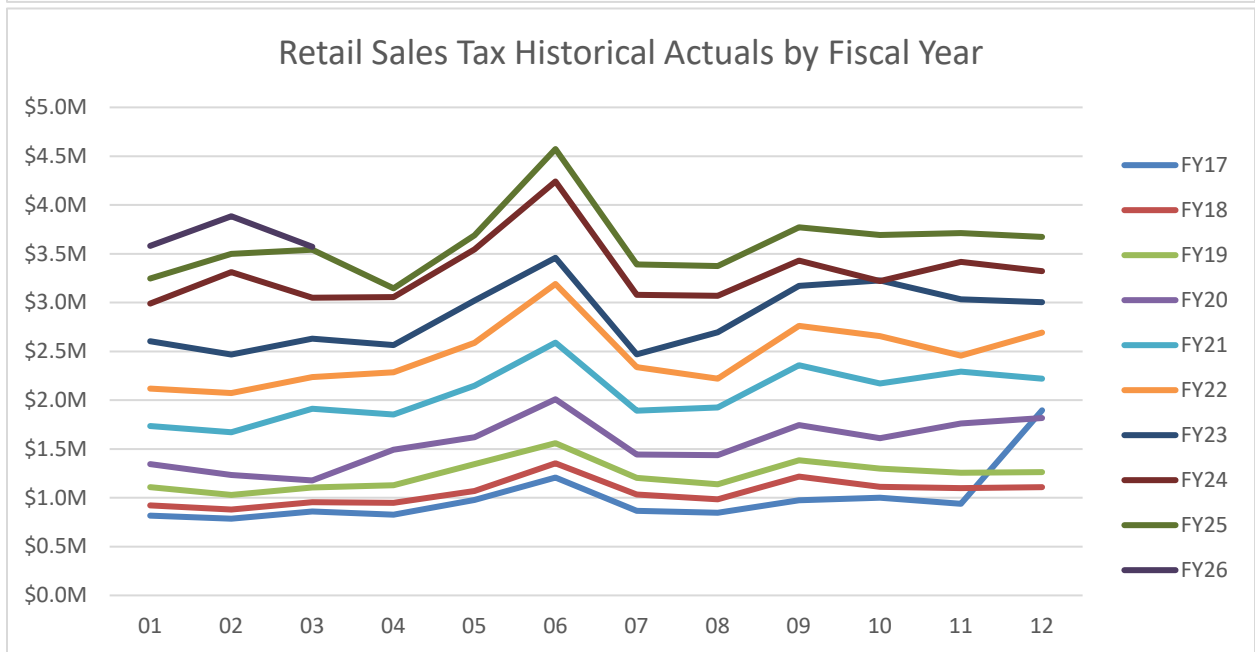
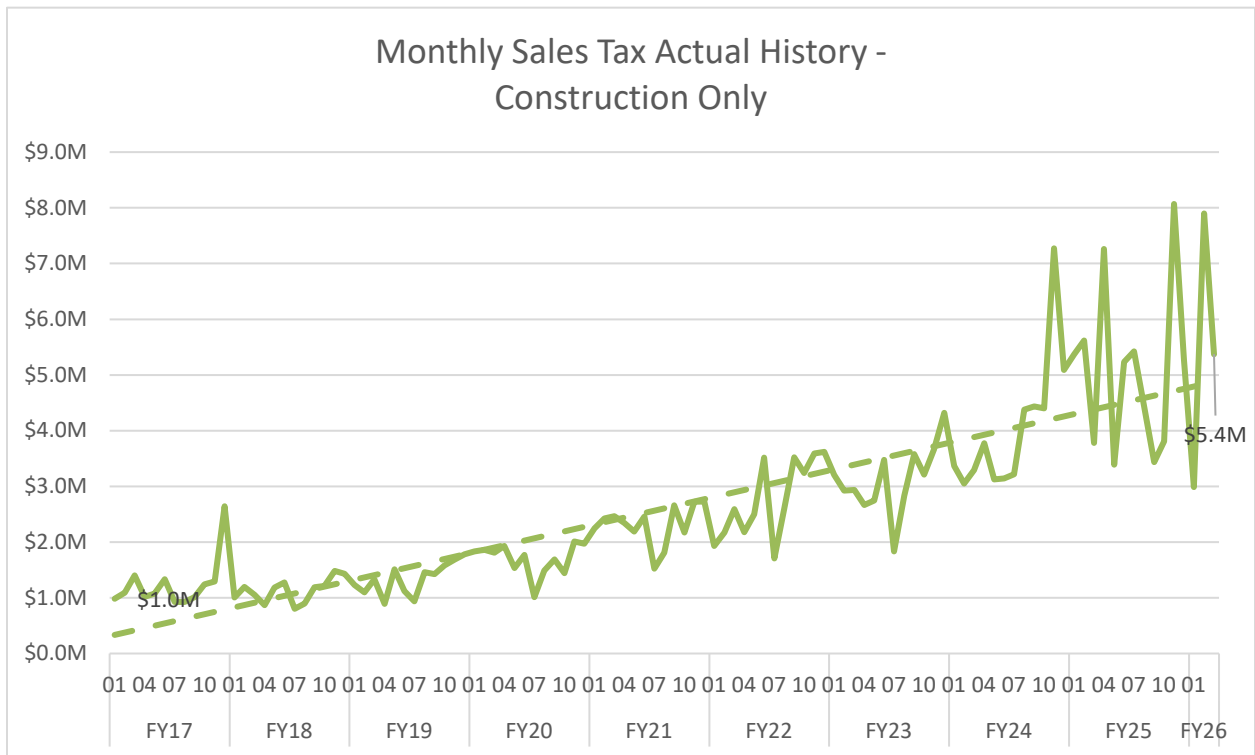
Revenue by Fund	FY26 Actuals YTD	% of Total
General Fund	\$ 21,231,889	67.3%
EMS Fund	\$ 2,653,986	8.4%
Construction Fund	\$ 7,650,377	24.3%
Totals	\$ 31,536,252	100%

Operating Budget	Jul	Aug	September	FY25-26 YTD
General Fund	\$ 5,834,119	\$ 8,441,348	\$ 6,956,423	\$ 21,231,889
EMS Fund	\$ 729,265	\$ 1,055,168	\$ 869,553	\$ 2,653,986
Total Operating Budg	\$ 6,563,384	\$ 9,496,516	\$ 7,825,976	\$ 23,885,876

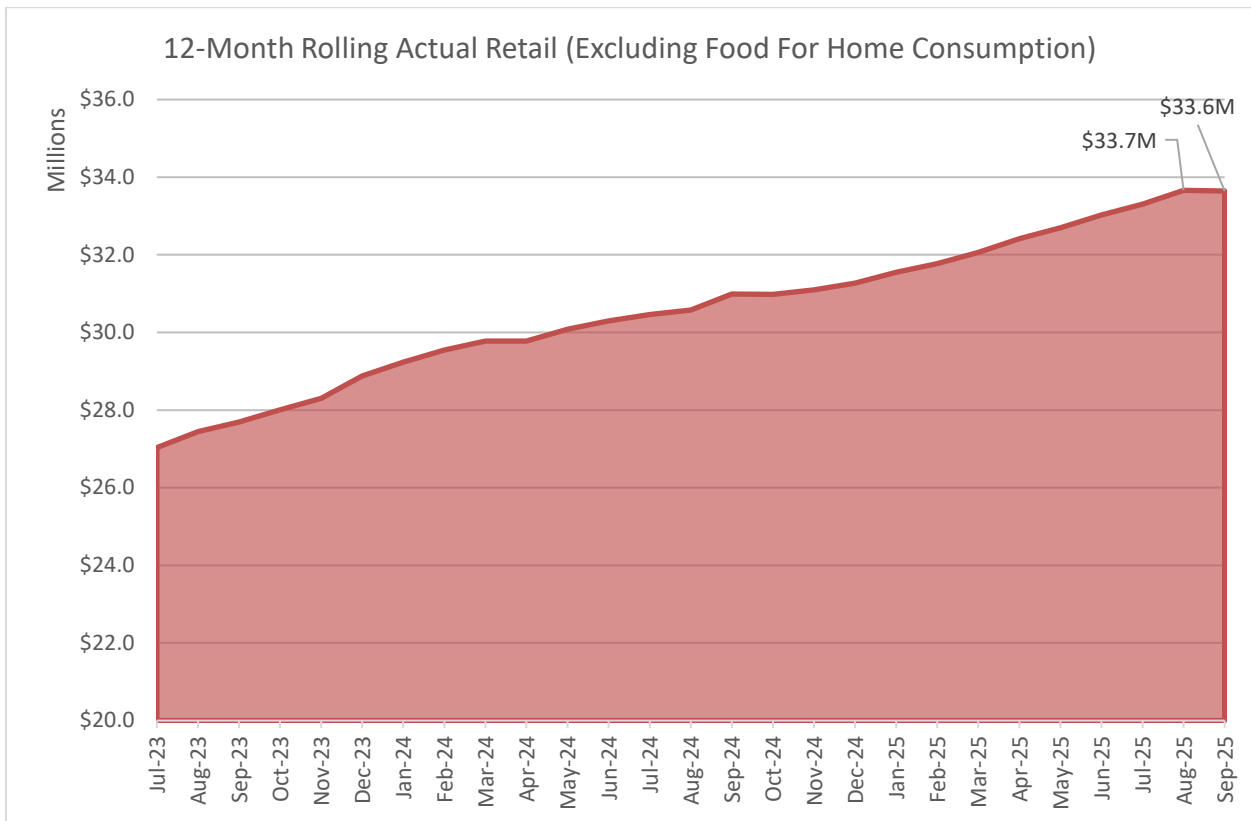
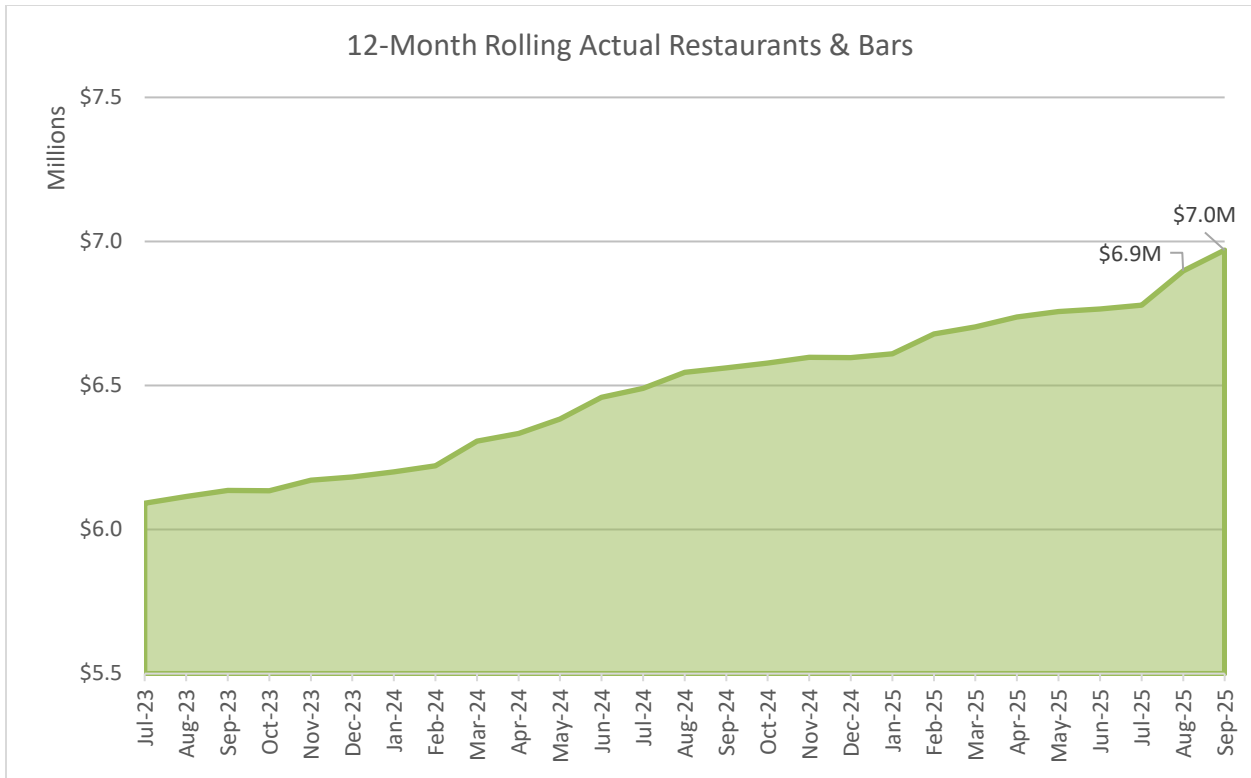
Historical Performance



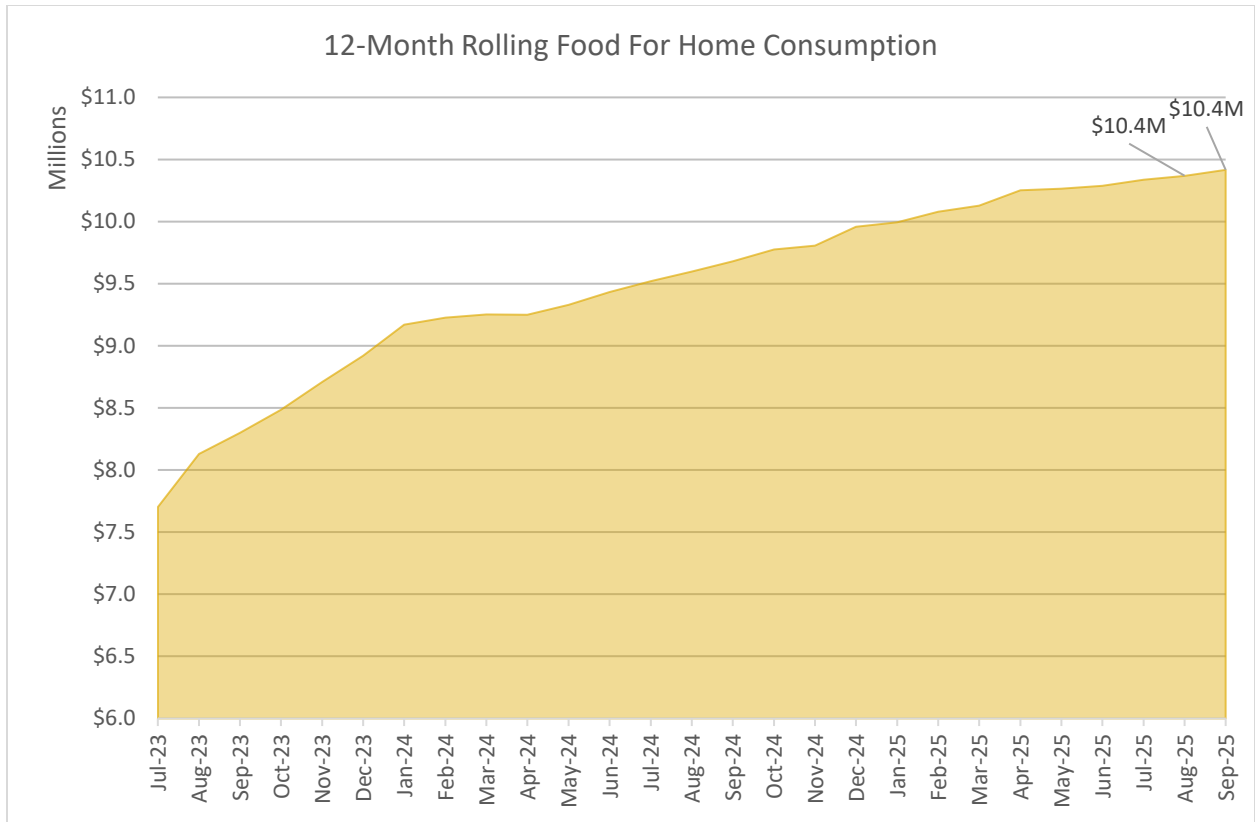
Appendix 1: Queen Creek Monthly Sales Tax Report



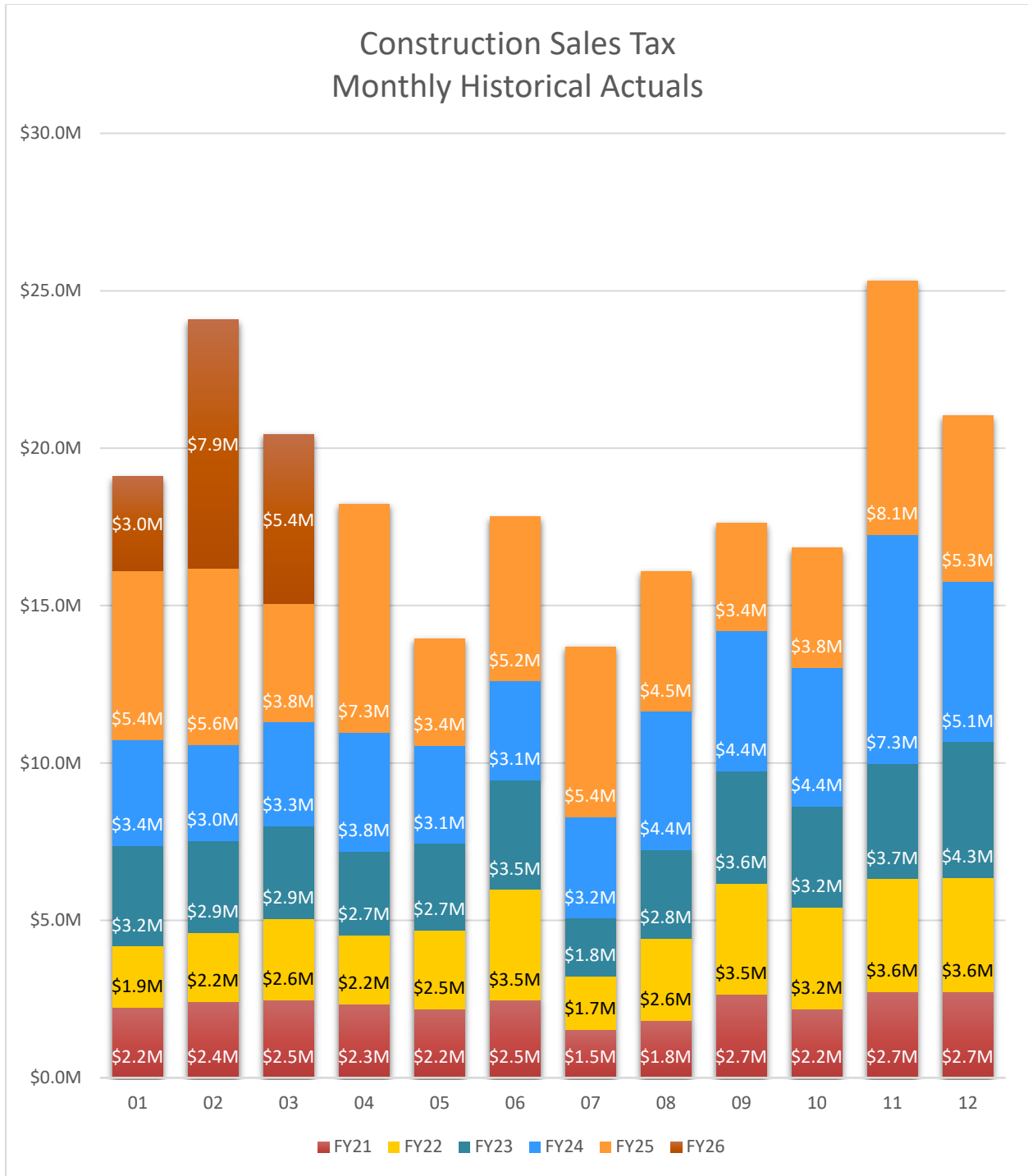
Appendix 1: Queen Creek Monthly Sales Tax Report



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Note: In FY 19-20 reporting is revised to reflect ADOR business code categories. Overall TPT revenues are not impacted.

Appendix 1: Queen Creek Monthly Sales Tax Report

TAX RATE CATEGORIES

Town-wide Queen Creek Sales Tax Rates:

BUSINESS CODE CATEGORY	REGION CODE	BUSINESS CODE	TAX RATE	REPORTING CATEGORY
Advertising	QC	018	2.25%	All Others
Amusements	QC	012	2.25%	All Others
Contracting-Prime	QC	015	4.25%	Construction Contracting
Contracting-Speculative Builders	QC	016	4.25%	Construction Contracting
Contracting – Owner Builder	QC	037	4.25%	Construction Contracting
Job Printing	QC	010	2.25%	All Others
Manufactured Buildings	QC	027	2.25%	Construction Contracting
Timbering & Other Extraction	QC	020	2.25%	All Others
Severance – Metal Mining	QC	019	.10%	All Others
Publication	QC	009	2.25%	All Others
Hotels	QC	044	2.25%	All Others
Hotel/Motel (Additional Tax)	QC	144	3.00%	All Others
Residential Rental, Leasing & Licensing for Use	QC	045	2.25%	Rental, R.E. & Leases
Commercial Rental, Leasing & Licensing for Use	QC	213	2.25%	Rental, R.E. & Leases
Rental, Leasing & Licensing for Use	QC	214	2.25%	Rental, R.E. & Leases
Restaurants & Bars	QC	011	2.25%	Restaurants & Bars
Retail Sales	QC	017	2.25%	Retail Sales
Retail Sales Food for Home	QC	062	2.25%	Retail Sales
MRRA	QC	315	2.25%	All Others
Communications	QC	005	2.25%	Comm. & Utilities
Transporting	QC	006	2.25%	All Others
Utilities	QC	004	2.25%	Comm. & Utilities
Use Tax Purchases	QC	029	2.25%	All Others
Use Tax from Inventory	QC	030	2.25%	All Others
Retail Sales for Remote Sellers	QC	605	2.25%	Retail Sales
Retail Sales Food for Home Consumption Remote Sellers	QC	606	2.25%	Retail Sales
Marijuana Sales	QC	420	2.25%	Retail Sales
Medical Marijuana Sales	QC	203	2.25%	Retail Sales

Also see ADOR website for most updated State, County, and City Sales tax rates:

<https://azdor.gov/business/transaction-privilege-tax/tax-rate-table>