



TOWN OF
QUEEN CREEK
ARIZONA

FY 25-26

Financial Report

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

Issued November 12, 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 \$1.9M (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 through September are \$2.4M higher than the same period last fiscal year, an increase of 8%.

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 September 2025, the Town issued permits for 243 single-family units and no multi-family units, for a total of 243 residential units, or 18% of the annual total.

Total expenses to date are \$5.1M (14%) 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 \$16.2M 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 \$1.8M through September.

The Operating Budget's preliminary ending fund balance is \$199.9M, 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
- \$50.4 in the Infrastructure and Debt Management Reserve
- \$19.7 in the Investment Sinking Fund
- \$33.4M 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 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. 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 \$1.8M due to continued revenue growth and expense savings. This aligns with the forecasted full year revised budget which indicates revenues will exceed expenses by \$12.7M through June.

The Total Revised Expense Budget reflects \$16.2M 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 preliminary ending balance of \$199.9M. 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.

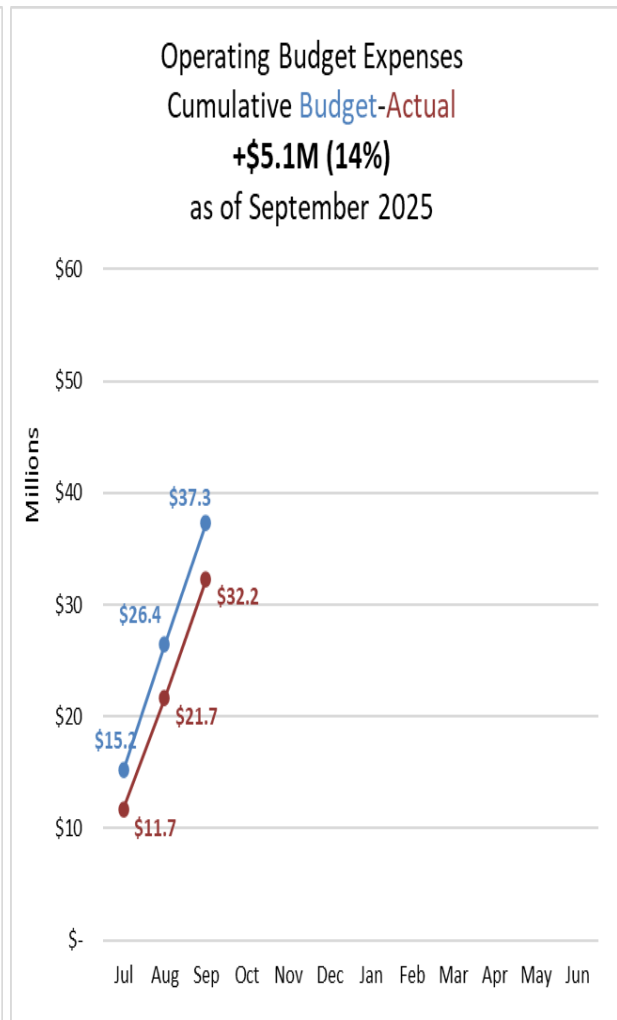
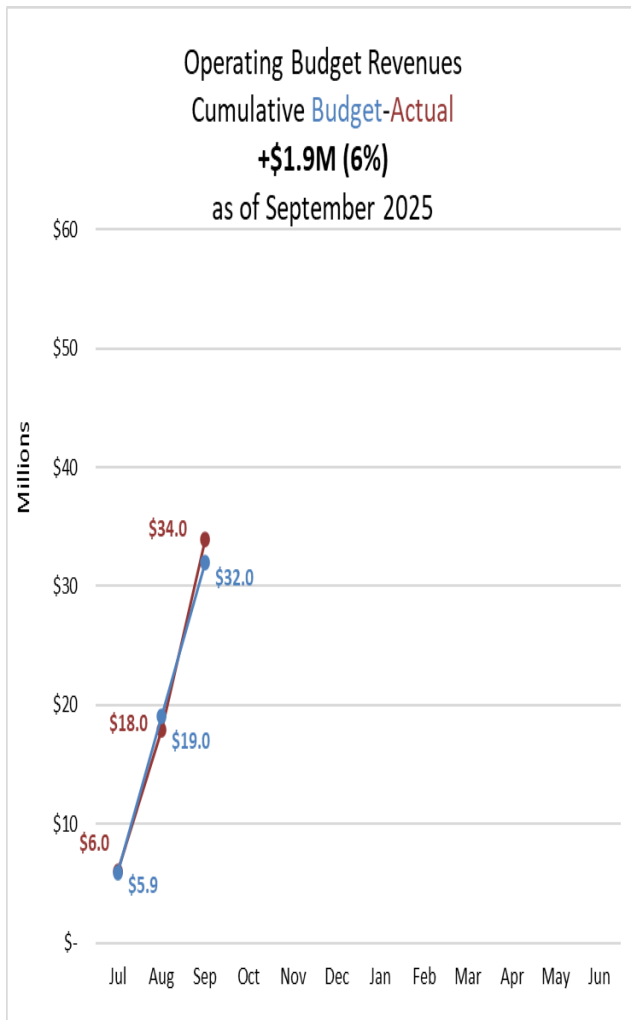
Summary FY 24-25 Operating Budget - September 2025

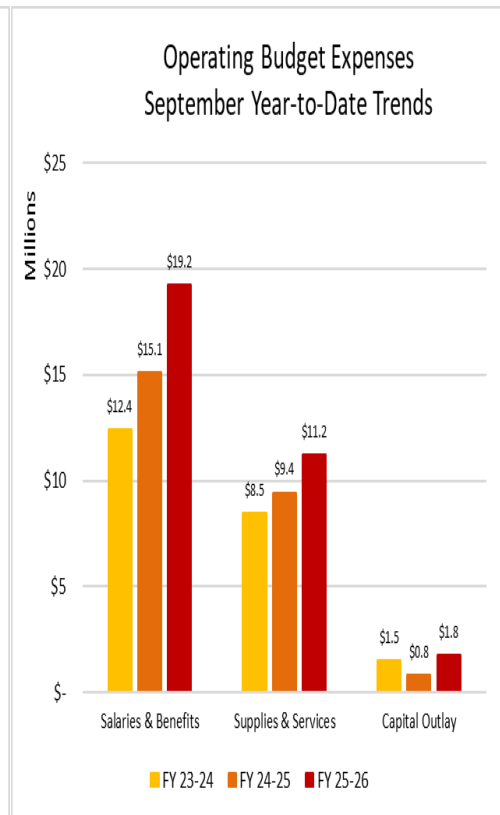
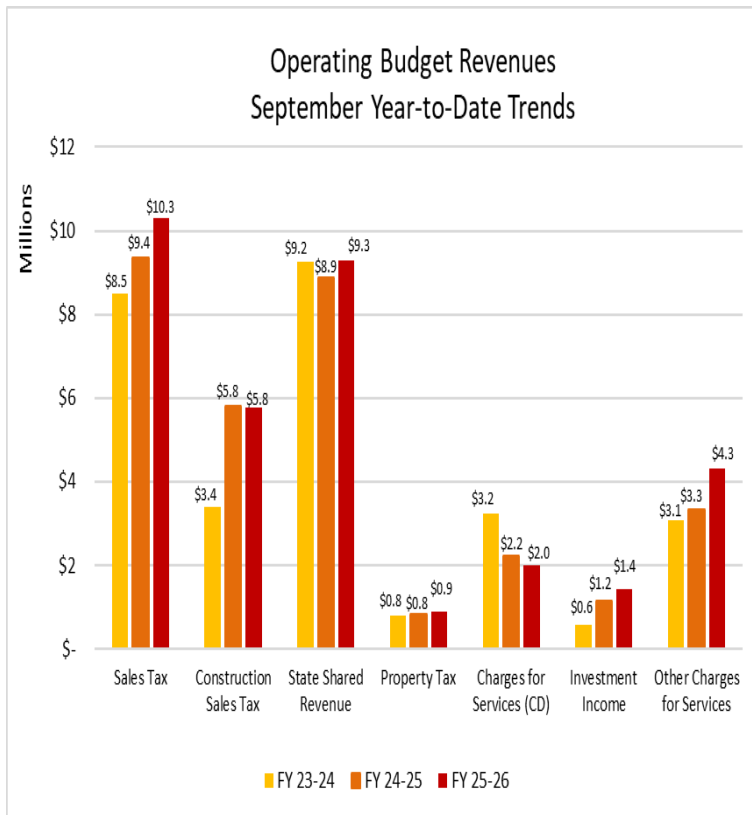
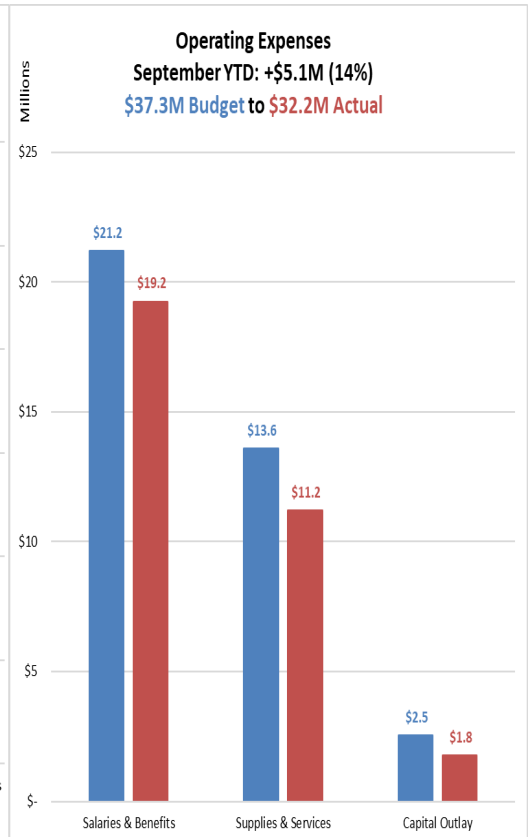
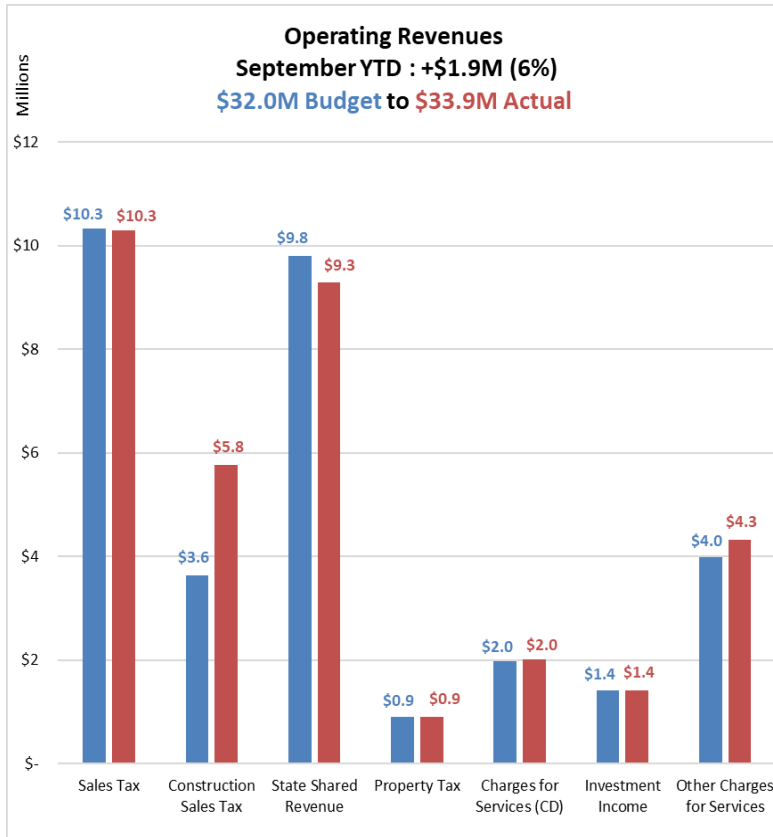
	FY 25-26	FY 25-26	FY 25-26	FY 25-26
	Total Adopted Budget	Total Revised Budget	Year-to-Date Budget	Year-to-Date Actual
Revenues	\$ 176,065,621	\$ 176,452,493	\$ 32,031,979	\$ 33,985,148
Expenses	150,695,685	163,728,288	37,312,381	32,230,478
Operating Results	\$ 25,369,936	\$ 12,724,205	\$ (5,280,402)	\$ 1,754,670
Transfers Out:				
Debt Service	\$ 23,950,914	\$ 23,950,910	\$ -	\$ -
CIP	2,445,800	2,073,480	-	-
Net Transfers Out	\$ (26,396,714)	\$ (26,024,390)	\$ -	\$ -
Net Operating Results	\$ (1,026,778)	\$ (13,300,185)	\$ (5,280,402)	\$ 1,754,670
Beginning Fund Balance	\$ 142,488,656	\$ 213,216,274		
Ending Fund Balance	\$ 141,461,878	\$ 199,916,089		
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	50,410,548		
Investment Sinking Fund	-	19,697,457		
Available Fund Balance	38,902,194	33,378,912		
Total Fund Balance	\$ 141,461,878	\$ 199,916,089		

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

	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)		Total FY 25-26 Budget	YTD Actual as % of Total Budget
Revenues						
Sales Tax	\$ 10,332,076	\$ 10,297,694	\$ (34,382)	(0%)	\$ 69,314,940	15%
Construction Sales Tax	3,631,270	5,762,206	2,130,936	59%	20,604,679	28%
State Shared Revenue	9,804,954	9,296,539	(508,415)	(5%)	38,785,400	24%
Property Tax	898,139	897,833	(306)	(0%)	14,810,813	6%
Charges for Services (CD)*	1,980,652	2,007,031	26,379	1%	7,208,800	28%
Investment Income	1,409,953	1,414,188	4,235	0%	5,314,166	27%
Other Charges for Services	3,974,935	4,309,656	334,721	8%	20,413,695	21%
Total Revenues	\$ 32,031,979	\$ 33,985,148	\$ 1,953,169	6%	\$ 176,452,493	19%
Expenditures						
Salaries & Benefits	\$ 21,197,843	\$ 19,246,828	\$ 1,951,015	9%	\$ 88,823,468	22%
Supplies & Services	13,587,517	11,206,181	2,381,336	18%	57,751,605	19%
Capital Outlay	2,527,021	1,777,469	749,552	30%	17,153,215	10%
Total Expenditures	\$ 37,312,381	\$ 32,230,478	\$ 5,081,903	14%	\$ 163,728,288	20%

*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 currently performing at budget, with \$10.3M collected through September. The strong results reflect the Town's continued growth in population and new commercial developments in Queen Creek, as well as the impact of inflation on the prices of taxable items. 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 3% 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, 39% 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). Please refer to the Sales Tax Report (Appendix 1) for additional analysis of sales tax activity.

Construction Sales Tax

Construction Sales Tax revenues are \$2.1M (59%) 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 considered 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 \$0.5M (5%) below the budget estimate but are 5% higher than the same period last year. The current variance is mostly related to receipts in the HURF category. As a reminder, FY 24-25 included a 2% reduction in the Town's overall state-shared revenues due to full implementation of the state's flat income tax rate. 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 Taxes actuals are at budget through September. 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)

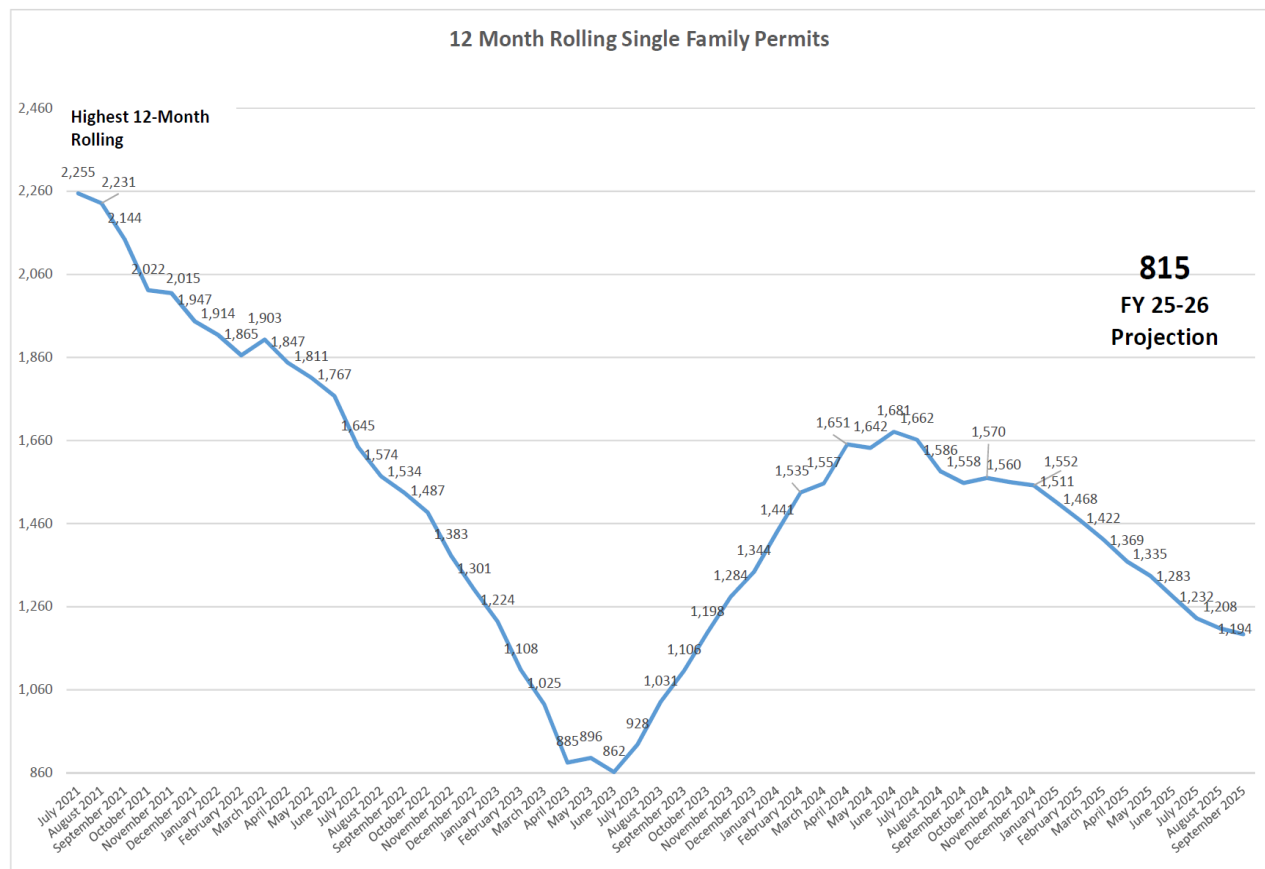
Charges for Services-CD accounts for planning, engineering and building permit revenues. The variance for these revenues is currently favorable by \$26K (1%), as presented in the following schedule:

September 2025 YTD Community Development Detailed Revenues

Charges for Services (CD)	YTD Budget	Actual	\$ Variance	% Variance
Planning Revenue	\$ 49,970	\$ 42,815	\$ (7,155)	(14%)
Engineering Revenue	232,880	341,373	108,493	47%
Building Permit Revenue	1,697,803	1,622,843	(74,959)	(4%)
Total Charges for Services (CD)	\$ 1,980,652	\$ 2,007,031	\$ 26,379	1%

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 September the Town issued 243 single-family permits, or 30% of the total estimate. The rolling 12-month single-family permit trend has declined since March 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 September, 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 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 \$335K (8%) 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 \$1.4M (27%) of the total revenue 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 14% 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 \$1.9M (9%) below budget. There are currently 71 total positions vacant as of September. Of these positions, 26 are new positions approved in the FY 25-26 budget, with the remaining 45 positions vacant due to turnover in existing positions. The largest vacancies exist within the Police department with 22 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 \$2.4M (18%) 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

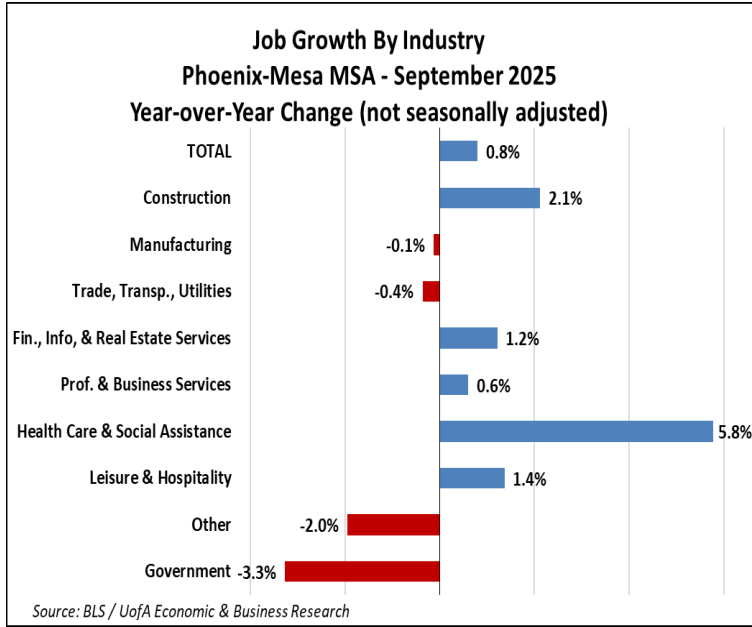
Capital Outlay expenses are showing a \$0.7M (30%) favorable variance. The budgets in this category are for one-time purchases related to major equipment and special projects. The largest variance in this line is for one-time vehicle purchases, many of which are public-safety related. Supply chains remain 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, with this being closely monitored.

Outstanding Encumbrances

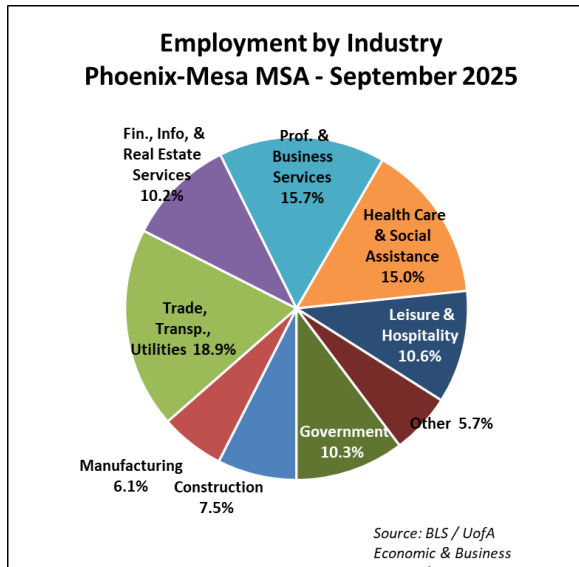
The following schedule displays year-to-date expenses and outstanding encumbrances for the Supplies & Services and Capital Outlay categories. This schedule provides a view of both actual spending and contractual commitments relative to the total budgets in these categories. This data helps gauge the 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:	September 2025 Expenses and Encumbrances				
	YTD Actual	Outstanding Encumbrances	Total Actual + Encumbrances	Total FY 25-26 Budget	YTD Spent & Encumbered
Supplies & Services	\$ 11,206,181	\$ 16,741,020	\$ 27,947,201	\$ 57,751,605	48%
Capital Outlay	1,777,469	9,646,952	11,424,421	17,153,215	67%
Total	\$ 12,983,650	\$ 26,387,972	\$ 39,371,622	\$ 74,904,820	53%

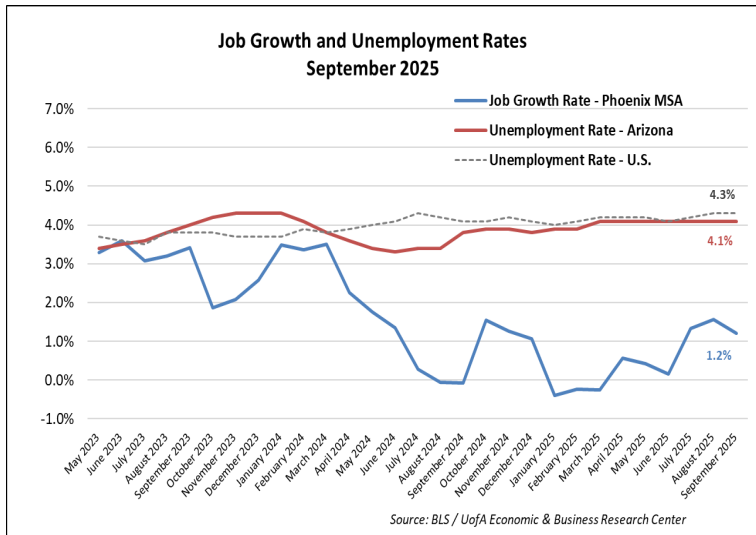
Economic Indicators



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 are making up a 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.

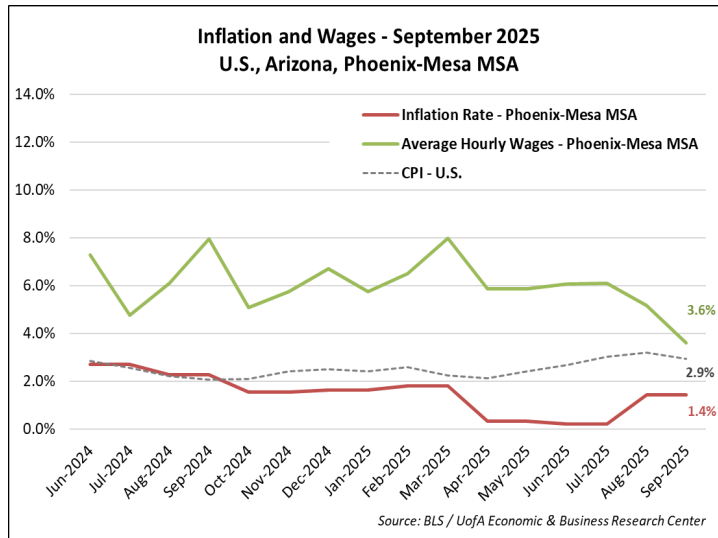


This chart shows the relative size of each major employment industry in the region. The Phoenix employment base is reasonably diversified with a healthy mix of industries, meaning the regional economy is not overly reliant on one industry to maintain a stable job base.



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 the trend would support a modest increase in average hourly wages over that same period of time.

Housing Market Indicators				
	Current	1 Year Prior	1 Year Change	
Home Prices and Affordability				
Federal Housing Finance Agency House Price Index:				
Phoenix-Mesa MSA	624.1	624.7	(0.1)%	
U.S.	436.2	423.9	2.9%	
Median Home Prices:				
Queen Creek	\$ 617,998	\$ 625,000	(1.1)%	
Phoenix-Mesa MSA	\$ 441,000	\$ 440,000	0.2%	
Arizona	\$ 476,625	\$ 496,250	(4.0)%	
U.S.	\$ 422,600	\$ 406,700	3.9%	
Housing Cost vs. Wage Growth:				
30-Year Fixed Mortgage Interest Rate	6.30%	6.08%	3.6%	
Monthly Payment on QC Median Home ⁽¹⁾	\$ 3,044	\$ 3,008	1.2%	
Average Hourly Wage - Phoenix-Mesa MSA	\$ 36.60	\$ 35.33	3.6%	
Real Estate Activity				
SF Homes Sold - Queen Creek	136	118	15.3%	
SF Days on Market - Queen Creek	70	84	(16.7)%	
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	92	106	(13.2)%	
Phoenix / Pinal County Region	1,716	2,314	(25.8)%	
Queen Creek 12-Month Rolling Total	1,194	1,558	(23.4)%	
Regional 12-Month Rolling Total	23,092	27,195	(15.1)%	

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 increase 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 the year before. 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.

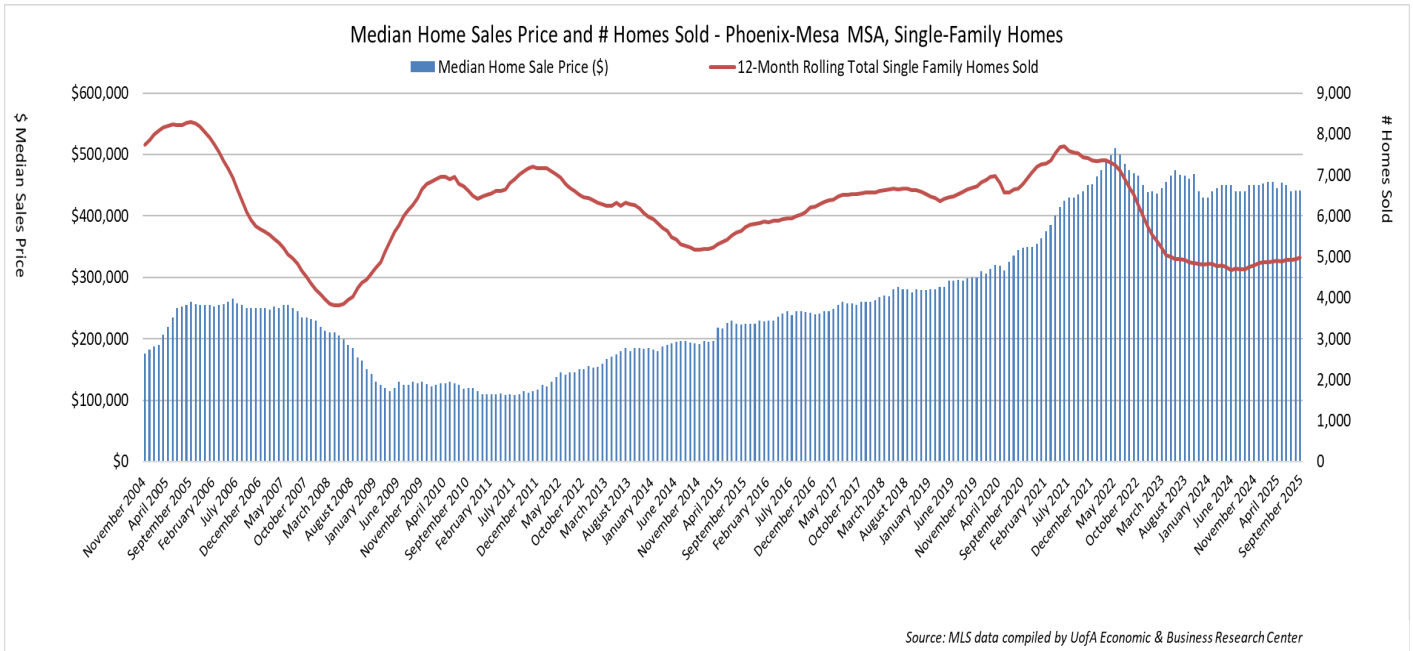
New SF Building Permits – The latest data show new home construction in Queen Creek at lower levels than the same month last year, consistent with trends across the region.

⁽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 August 2026
(Unaudited)

Issued October 2026

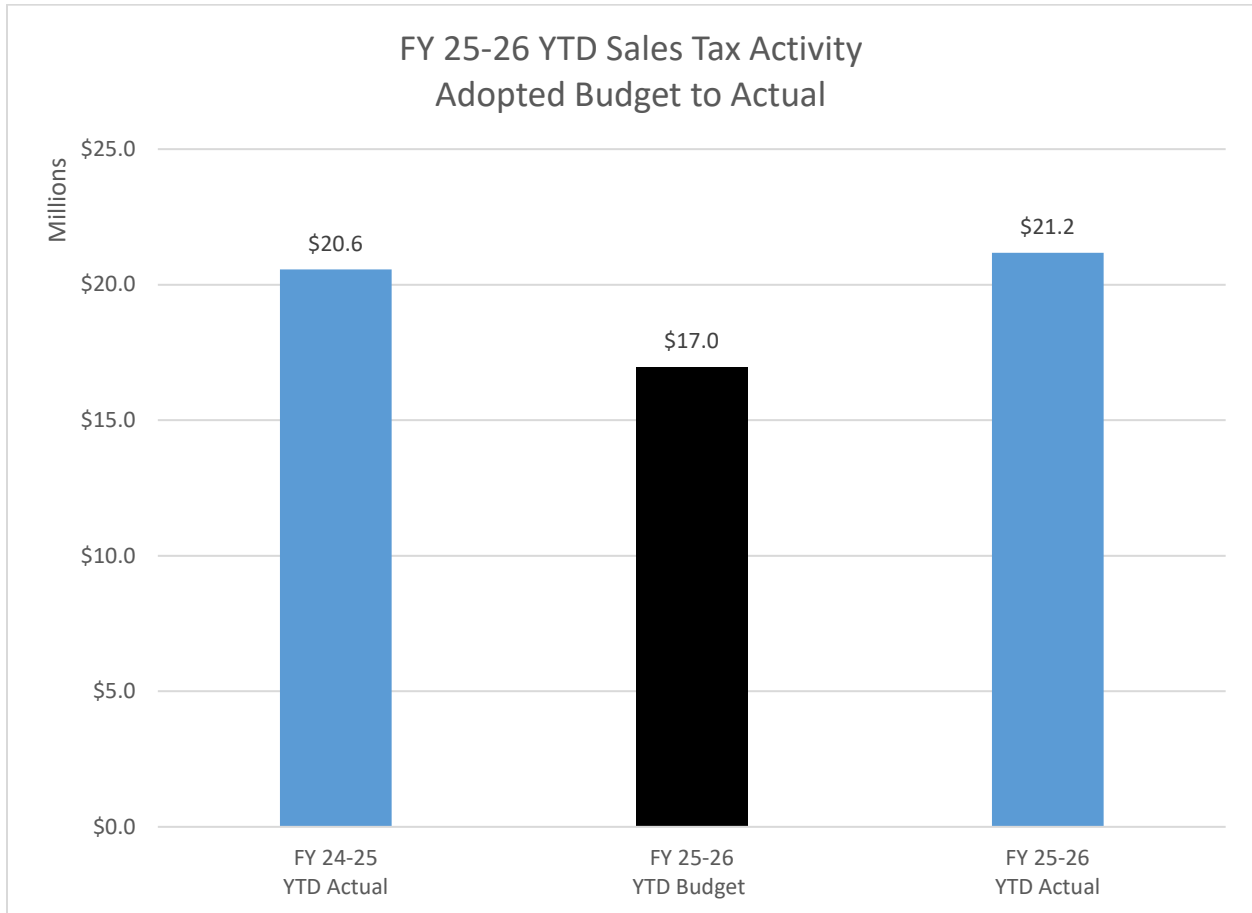
This report contains information regarding the actual revenue collections from the Town's 2.0% sales tax reflected in the General Fund, 0.25% dedicated EMS sales tax, and the 2.0% Construction Contracting sales tax dedicated to infrastructure improvements.

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 August not be realized or August 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 \$21.2M exceeds the revised budget by 25%, or \$4.2M. Relative to FY 24-25, FY 25-26 actuals are 3%, or \$623K 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	\$ 6,748,543	8,090,229.17	7,465,725	(624,504)	(7.7%)	717,182	11%
Communications & Utilities	\$ 788,876	597,576.89	773,532	175,955	29.4%	(15,344)	(2%)
Restaurant & Bar	\$ 1,043,446	1,199,921.36	1,175,982	(23,939)	(2.0%)	132,536	13%
Real Estate, Rental & Leasing	\$ 754,537	573,257.19	582,311	9,054	1.6%	(172,226)	(23%)
All Others**	\$ 234,706	462,687.54	300,144	(162,543)	(35.1%)	65,438	27.9%
Subtotal Without Construction	\$ 9,570,108	\$ 10,923,672	\$ 10,297,694	\$ (625,978)	-5.7%	\$ 727,586	8%
Construction	\$ 10,988,885	6,039,003.04	10,884,167	4,845,164	80%	(104,717)	(1%)
Total	\$ 20,558,992	\$ 16,962,675	\$ 21,181,861	\$ 4,219,186	25%	\$ 622,869	3%

**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 2023 American Communities Survey data provided by the U.S. Census, Queen Creek's median household income is \$134,719, 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. The Town has recently changed vendors for analyzing foot traffic data; you will see differences in the data in this report compared to previous reports due to different methodologies. 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 August 2024 and August 2025, the number of visits to the Town Center increased by about 3%. A further discussion of this data can be found in the Retail Trade section.

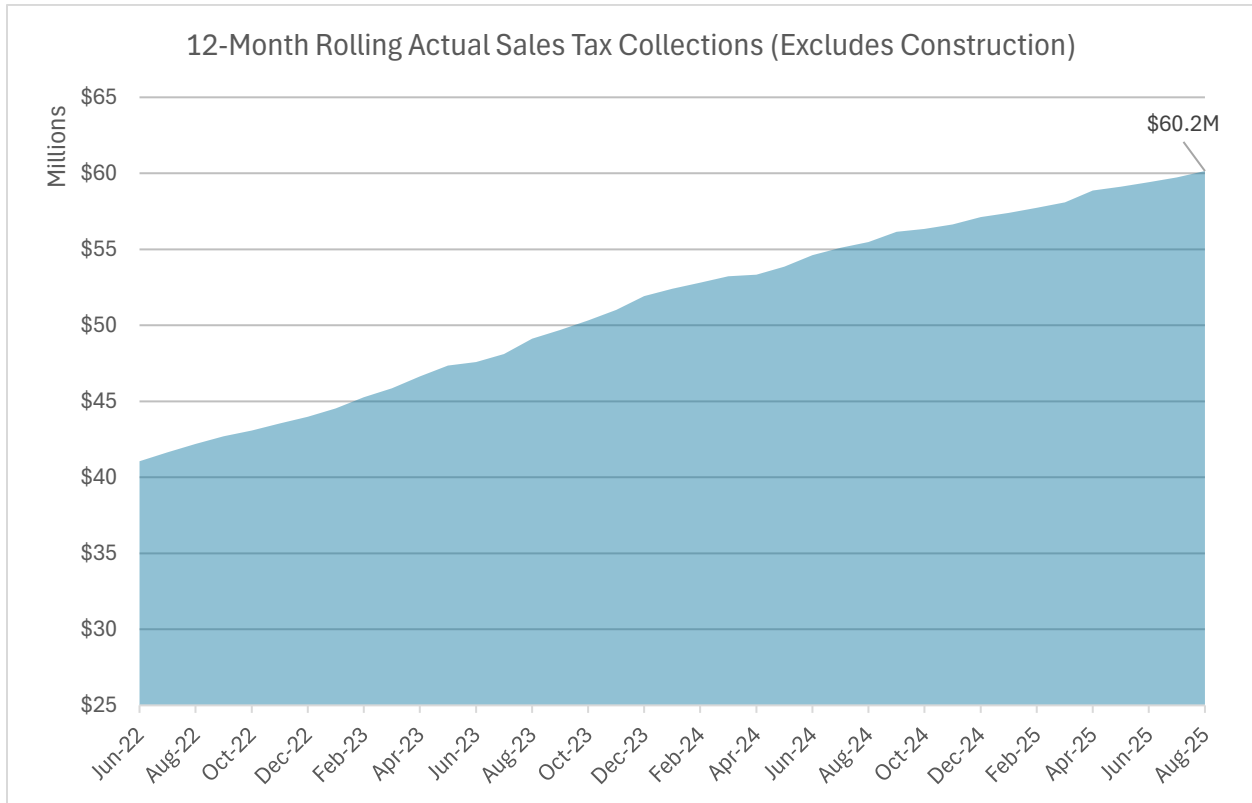
Additionally, taxable spending from an estimated 100K+ population from Eastmark master-planned community (Mesa) and unincorporated San Tan Valley has a significant impact on the Town's sales tax revenues. According to PlacerAi, approximately 36% of visits to the Town Center area from August 2024 through August 2025 were from individuals living in zip code 85142. An additional 39% 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.

August sales tax collections in FY 25-26 were higher than in FY 24-25. The strong levels of sales tax collections can be attributed to the continuing growth in population due to development both within the Town and in surrounding areas, new businesses continuing to open, and the Town's ability to collect sales taxes on e-commerce transactions.

In the past few years, inflation has significantly impacted the price of goods. Higher prices are expected to drive continued increases in sales tax collections for the Town in the near term; however, this trend August be limited, as local wages attempt to catch up to inflation. Without corresponding income growth, may August begin to reduce discretionary spending. Additionally, the evolving tariff landscape is creating further pricing uncertainty. The tariffs rates are also shifting frequently and may influence the cost of imported goods. Staff are actively monitoring these revenue streams to assess potential impacts on consumer behavior and future sales tax performance.

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 FY23 in all non-construction sales tax categories. Of note is the continued growth of the sales tax base over time, which signifies that the Town’s commercial sectors have continued to grow, diversify, and mature.



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.

August 2025 Actuals: \$7.9M

FY 25-26 YTD Actuals: \$10.9M

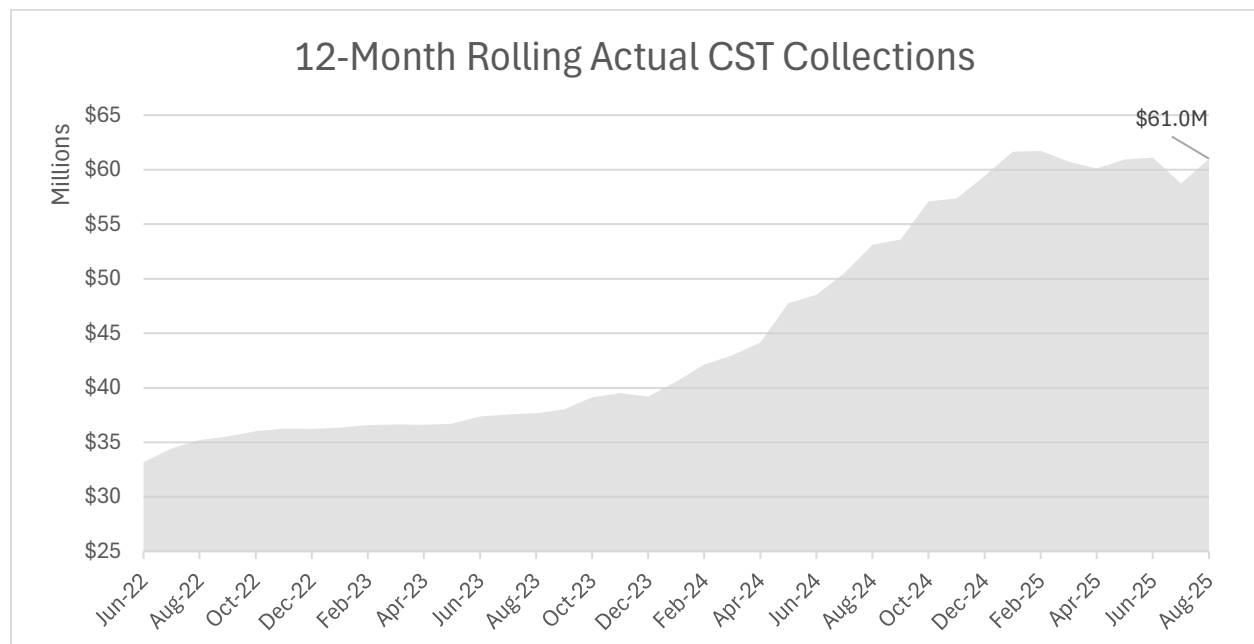
FY 25-26 YTD Adopted Budget to Actual Variance of \$4.8M or 80%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Decrease of (\$104K) or (1%)

FY 25-26 collections are higher than the FY 25-26 revised budget and slightly lower than the prior fiscal year actuals through August 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 FY23, 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 August, 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

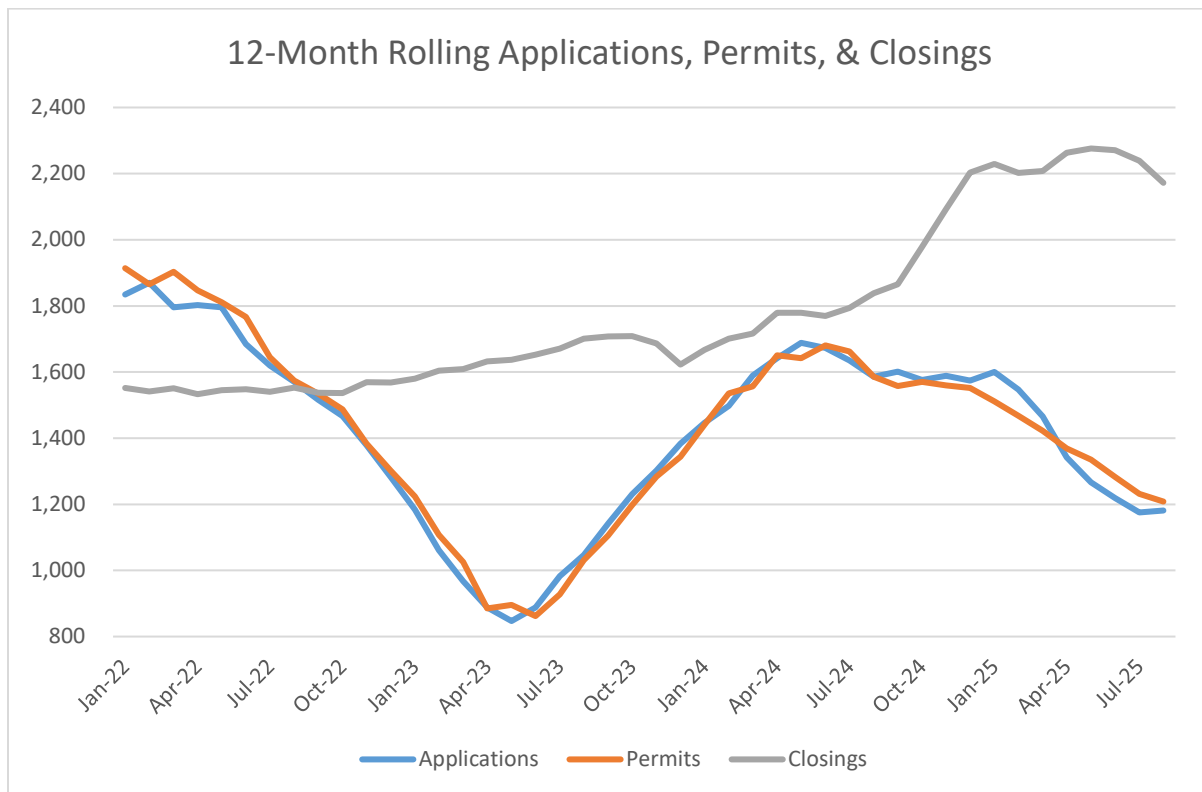
Appendix 1: Queen Creek Monthly Sales Tax Report

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.

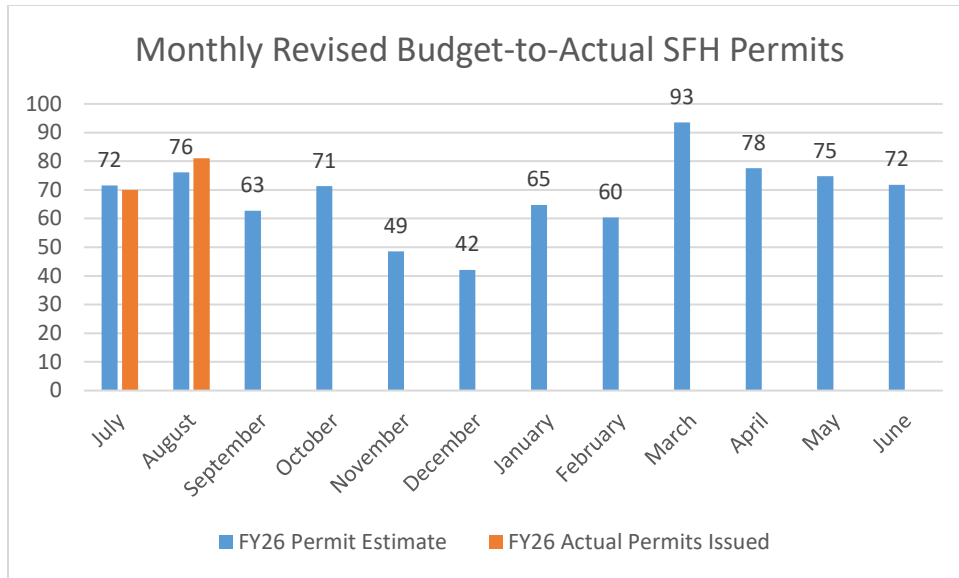
Business Type	FY24 YTD Actuals		FY25 YTD Actuals		FY26 YTD Actuals	
	Sales Tax (\$)	% of Total	Sales Tax (\$)	% of Total	Sales Tax (\$)	% of Total
Homebuilders	\$3.8M	60%	\$6.1M	56%	\$4.3M	40%
Gen. Contractors, Pool/ Landscape, & Other Specialized Trades	\$2.6M	40%	\$4.9M	44%	\$6.6M	60%
Total	\$6.4M	100%	\$11.0M	100%	\$10.9M	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 August were about 2% 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 around 1,600 permits and has been slowly trending downwards to the current 1,200 permits. Overall, the Town made up 6% of total NSF permits issued in the greater Phoenix area in August.

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 319 new home sales close in the month of August with an average sales price of \$596K for these homes. The following table shows the monthly closings by builder, average sale price, and estimated gross revenue for the month of August for new homes that closed within the Town.

Appendix 1: Queen Creek Monthly Sales Tax Report

Builder	# Closings	Avg. Sale Price	Est. Gross Revenue
LENNAR HOMES	46	\$ 568,547	26,153,170
MERITAGE HOMES	36	\$ 415,923	14,973,239
TAYLOR MORRISON	33	\$ 738,405	24,367,369
MISC CUSTOM	28	\$ 668,556	18,719,578
ASHTON WOODS HOMES	22	\$ 499,163	10,981,590
SHEA HOMES	16	\$ 655,855	10,493,684
MATTAMY HOMES	14	\$ 632,645	8,857,029
FULTON HOMES	14	\$ 757,418	10,603,855
D R HORTON	14	\$ 398,094	5,573,315
PULTE HOMES	12	\$ 733,296	8,799,554
WILLIAM LYON HOMES	11	\$ 559,132	6,150,453
STARLIGHT HOMES	10	\$ 380,290	3,802,900
TOLL BROTHERS	10	\$ 1,007,540	10,075,399
RICHMOND AMERICAN	10	\$ 752,397	7,523,970
LANDSEA HOMES	9	\$ 477,386	4,296,478
WOODSIDE HOMES	8	\$ 531,233	4,249,866
K HOVNANIAN	7	\$ 587,275	4,110,925
KB HOME	7	\$ 525,854	3,680,976
TRI POINTE HOMES	5	\$ 596,189	2,980,943
D R HORTON/EXPRESS	2	\$ 417,495	834,990
DAVID WEEKLEY HOMES	2	\$ 551,506	1,103,012
THE NEW HOME COMPANY	2	\$ 670,000	1,340,000
CRESLEIGH HOMES	1	\$ 600,000	600,000
Grand Total	319	\$ 596,465	190,272,295

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.

August 2025 Actuals: \$3.9M

FY 25-26 YTD Actuals: \$7.5M

FY 25-26 YTD Adopted Budget to Actual Variance of (\$624K) or (8%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$717K or 11%

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

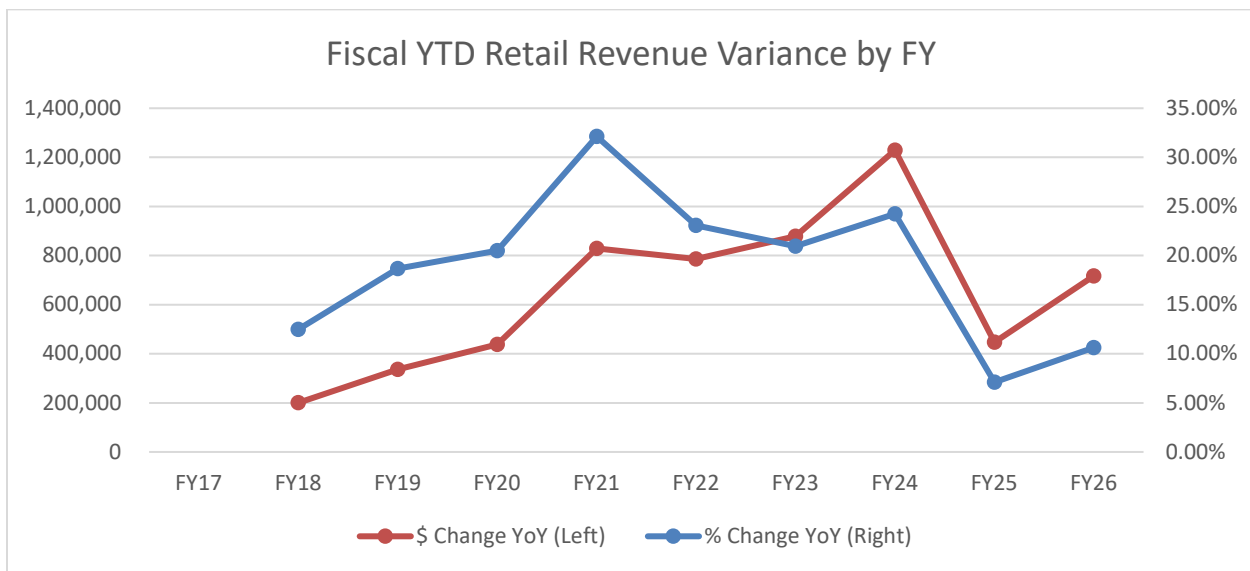
Compared to the previous fiscal year, new businesses continue to open and contribute to the Town’s sales tax base. The higher-dollar entities drive revenue in this class. In August, the top 20 payers of 7,072 total payers in the retail category delivered 68% of the revenue. The top 10 payers in the category account for 60% of the total.

Appendix 1: Queen Creek Monthly Sales Tax Report

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 August 2024 and August 2025. When comparing visits to a singular month, between August 2024 versus August 2025, the total number of visits to the Town Center area is approximately 4%.

Of the total retail sales tax collections in August, at least \$604K, or 16%, is estimated to come from e-commerce transactions. August 2025 e-commerce sales tax collections are 2% higher than collections in August 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 August 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 August, the Town has historically experienced strong year-over-year (YoY) growth; however, this momentum has moderated in recent years. While sales tax revenue continues to grow at a healthy rate of approximately 10% YoY, this represents a notable slowdown compared to the 20%+ growth levels observed in prior years. Staff is monitoring tariffs, unemployment, interest rates, and other economic conditions to ensure the accuracy and reliability of financial forecasts.

COMMUNICATIONS/UTILITIES:

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

August 2025 Actuals: \$384K

FY 25-26 YTD Actuals: \$773K

FY 25-26 YTD Adopted Budget to Actual Variance of \$175K or 29%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Decrease of (\$15K) or (2%)

RESTAURANTS & BARS:

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

August 2025 Actuals: \$639K

FY 25-26 YTD Actuals: \$1.2M

FY 25-26 YTD Adopted Budget to Actual Variance of \$(24K) or (2%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$132K or 13%

This category is slightly lower than the current year revised budget and moderately higher than prior year's actual collections. Actuals in this category have been slightly weaker than originally anticipated, likely due to market saturation in the town, with local restaurants increasingly competing for the same customer base rather than expanding the overall market.

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.

August 2025 Actuals: \$277K

FY 25-26 YTD Actuals: \$582K

FY 25-26 YTD Adopted Budget to Actual Variance of \$9K or 1.6%

FY 25-26 YTD Actual to FY 24-25 YTD Actual Decrease of \$(172K) or (23%)

This category's collections are above the revised budget, but below prior year collections. This can be attributed to the continued development of commercial and residential 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.

August 2025 Actuals: \$130K

FY 25-26 YTD Actuals: \$300K

FY 25-26 YTD Adopted Budget to Actual Variance of \$(162k) or (35.1%)

FY 25-26 YTD Actual to FY 24-25 YTD Actual Increase of \$65K or 27.9%

This category is below the revised budget. Of the existing categories in the All Other category, the arts and entertainment and services categories have performed better than anticipated due to the opening of new businesses and strong performance of these types of businesses in the Town. The variance in the 'All Other' category between the budget and last year's actuals is higher than usual due to a change in tax remittance from a major taxpayer that we are still looking into.

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:

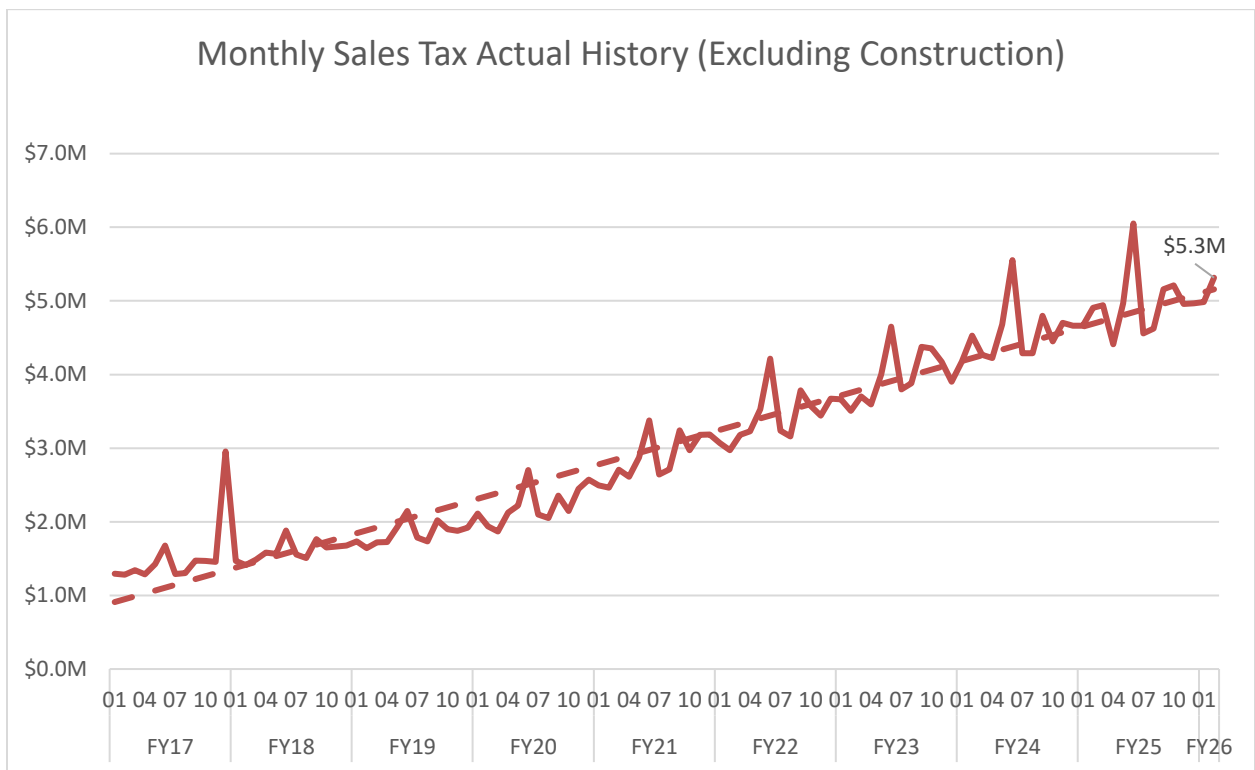
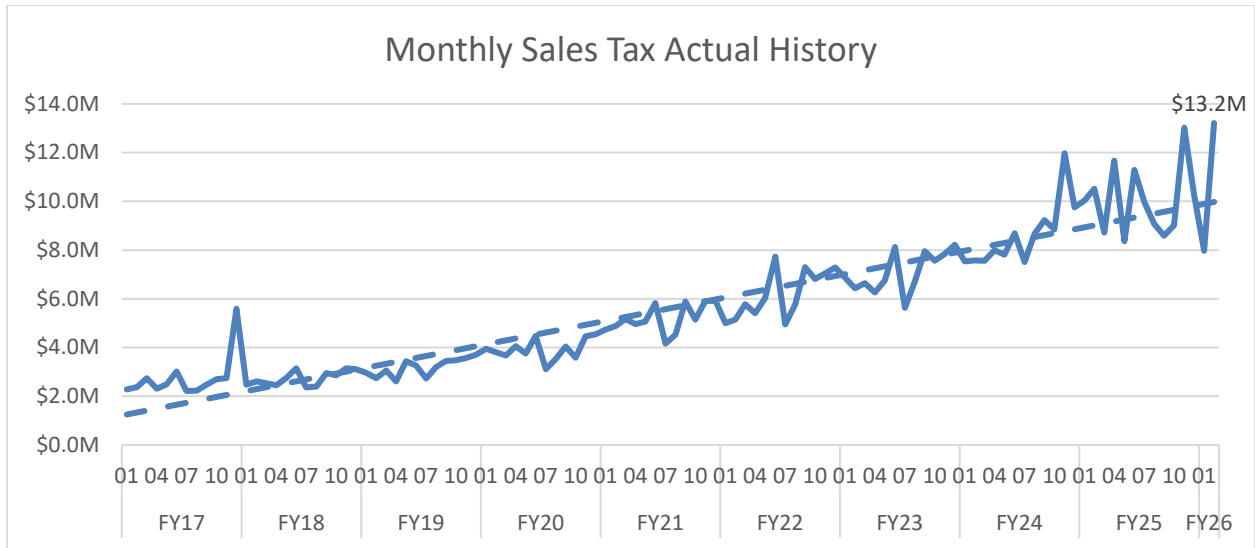
- 2.0% tax rate charged on all taxable activities within Town limits
 - Dedicated to the General Fund for general purpose government operations
- 0.25% tax rate charged on all taxable activities within Town limits
 - Dedicated to the Emergency Services (EMS) Fund to fund law enforcement and fire and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

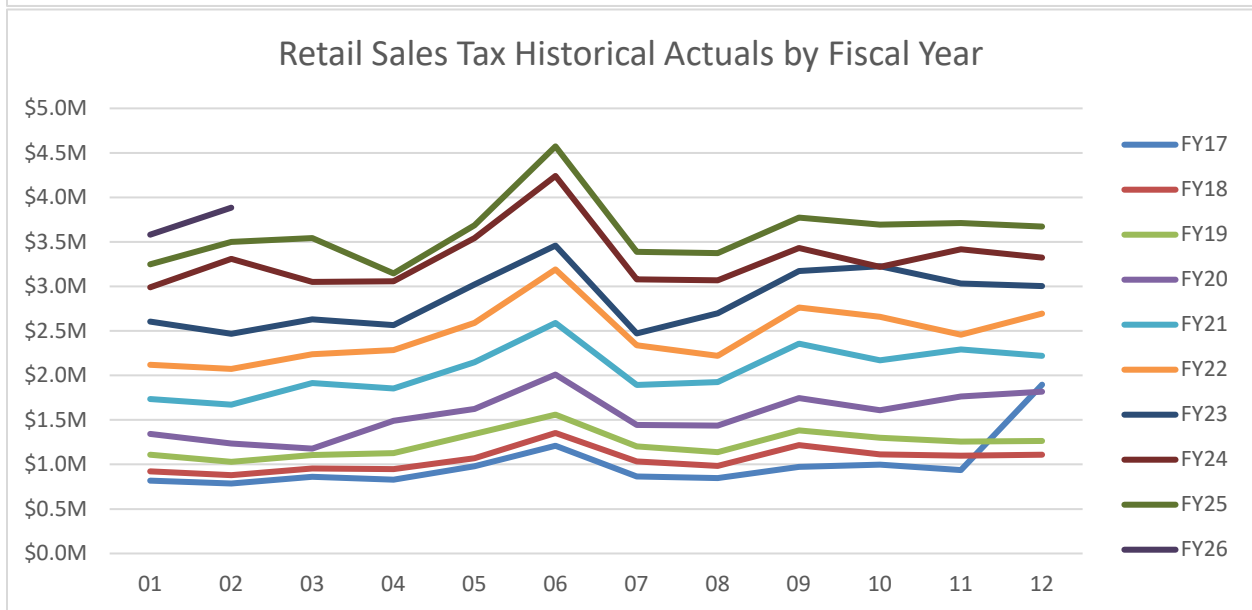
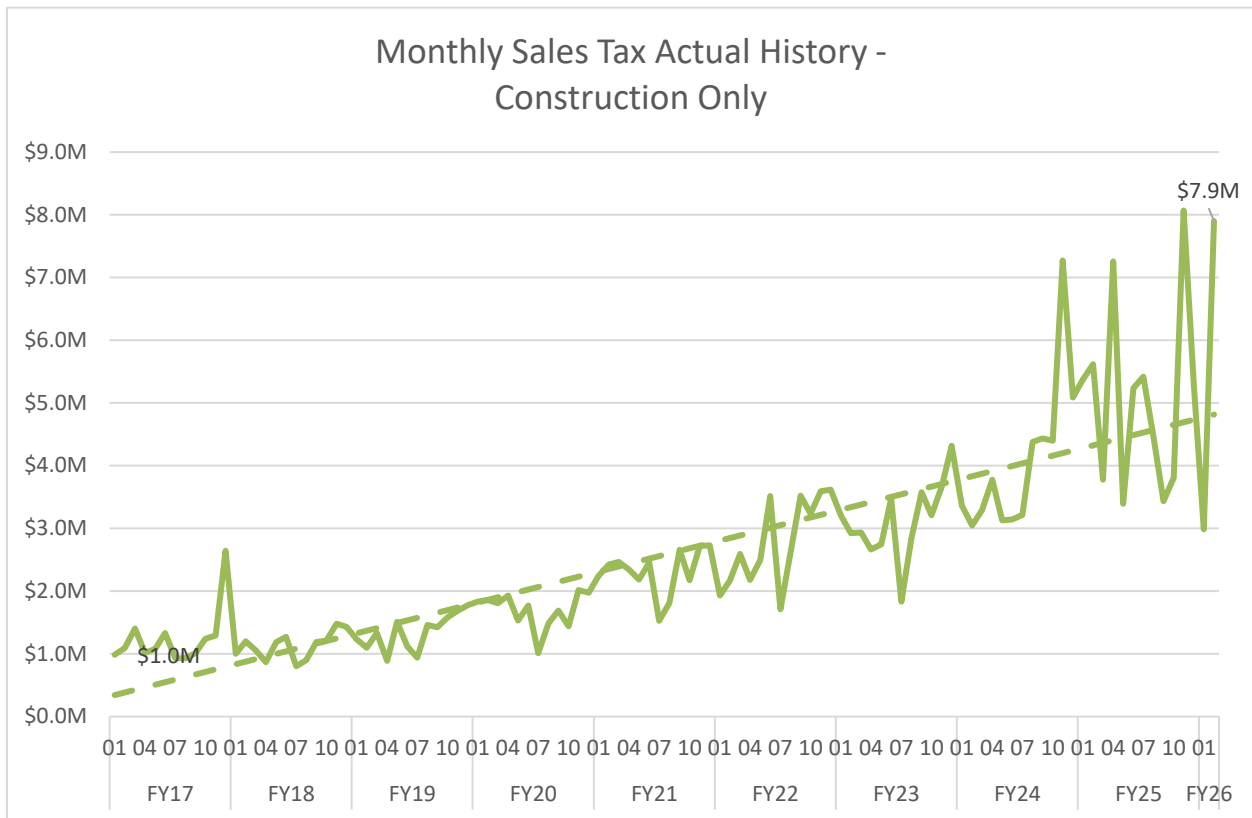
Revenue by Fund	FY25 Actuals	
	YTD	% of Total
General Fund	\$ 14,275,467	67.4%
EMS Fund	\$ 1,784,433	8.4%
Construction Fund	\$ 5,121,961	24.2%
Totals	\$ 21,181,861	100%

Operating Budget	Jul	Aug	FY24-25 YTD
General Fund	\$ 5,834,119	\$ 8,441,348	\$ 14,275,467
EMS Fund	\$ 729,265	\$ 1,055,168	\$ 1,784,433
Total Operating Budget	\$ 6,563,384	\$ 9,496,516	\$ 16,059,900

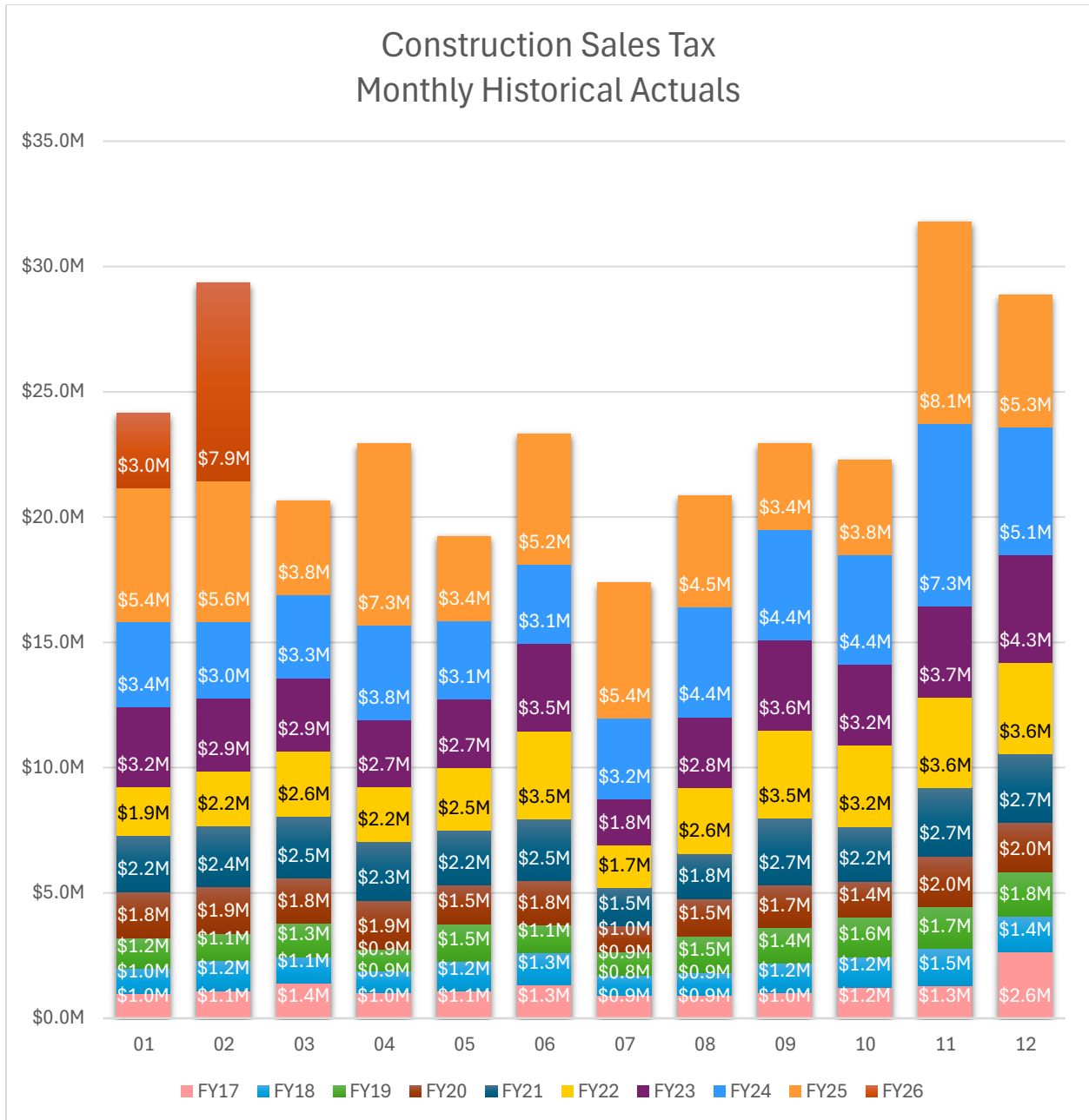
Historical Performance



Appendix 1: Queen Creek Monthly Sales Tax Report

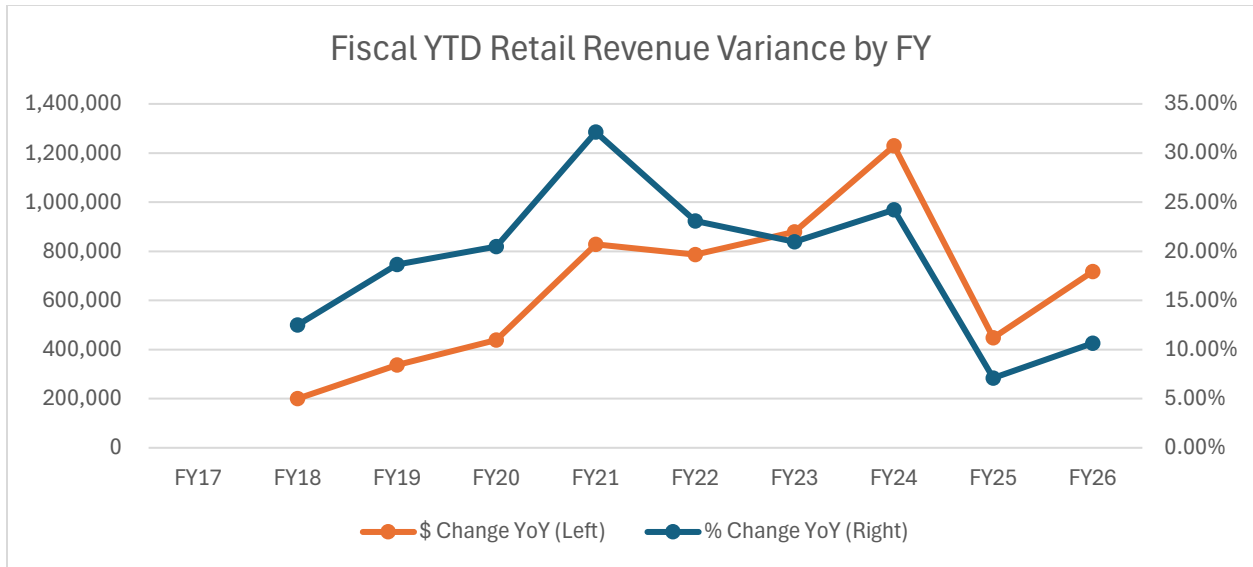


Appendix 1: Queen Creek Monthly Sales Tax Report



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



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	0.10%	All Others
Severance – Metal Mining	QC	019	2.25%	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