City of Vallejo Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

## Vallejo

## In Brief

Receipts for Vallejo's January through March sales were 3.3\% lower than the same quarter one year ago. Actual sales activity for the first quarter was up $3.4 \%$ when reporting aberrations were factored out.
A large misallocation into the county pool which inflated the city's pool allocation in the comparative quarter was the main factor in the overall decline in cash receipts. A strong quarter for new car sales lifited autos and transportation. A new outlet, payment aberrations and increased sales in casual and fast casual dining lifted restaurant receipts. A new outlet and payment aberrations also boosted food and drugs. The increase in building and construction was caused by a large payment aberration and onetime use tax sales. General consumer goods were driven down by a broad based decline in sales activity. The decrease in service stations was the result of lower gas prices allhough the decline was higher than both county and statewide averages. Results from business and industry were lower due to onetime use tax payments in the comparative quarter.
Adjusted for aberrations, taxable sales for all of Solano County increased $3.1 \%$ over the comparable time period, while the Bay Area as a whole was up 4.8\%.

## Sales Tax by Major Business Group



Top 25 Producers

Au Energy Shell Station
Avery Greene Honda
Best Buy
Bonfare Market
Chevron
Costco
Earthquake Protection
Systems
Home Depot
Kohls
Lowes
McDonalds
Momentum Chrysler Dodge Jeep Kia

N \& M Market
Nino Quality Motors
Ross
Safeway
Safeway Fuel
Shell
Six Flags Discovery Kingdom
Target
Team Chevrolet Cadillac Hyundai Mazda
Toyota Vallejo
Tributary Point AM PM
Valero
Vallejo Nissan

Revenue Comparison
Three Quarters - Fiscal Year To Date

|  | $\mathbf{2 0 1 2 - 1 3}$ | $\mathbf{2 0 1 3 - 1 4}$ |
| :--- | ---: | ---: |
| Point-of-Sale | $\$ 8,127,428$ | $\$ 8,510,053$ |
| County Pool | $1,238,077$ | 965,159 |
| State Pool | 2,982 | 5,663 |
| Gross Receipts | $\$ 9,368,487$ | $\$ 9,480,876$ |

Measure B
$\$ 8,681,871$
$\$ 9,204,456$

## Statewide Results

Net of payment aberrations, first quarter retail sales were $3.8 \%$ higher than the same period one year earlier.

Sales of new automobiles were up $9.4 \%$, stimulated by pent up demand, consumer interest in new fea-ture-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/ electrical equipment. Restaurant and hotel receipts increased by $6.4 \%$, out-pacing all other industry groups except autos and transportation.
Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

## Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.
A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be $50 \%$ more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.
The analysts point out that less than $3 \%$ of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.
The longer term concern is that the drought could persist for another two or three years. Groundwater
supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

## Sales Per Capita



## Vallejo Top 15 BuSINESS TYPES

| *In thousands | Vallejo |  | County | HdL State |
| :---: | :---: | :---: | :---: | :---: |
| Business Type | Q1 '14* | Change | Change | Change |
| Automotive Supply Stores | 52.0 | -4.6\% | -2.4\% | 0.1\% |
| Casual Dining | 123.0 | 15.9\% | 6.4\% | 6.9\% |
| Contractors | 44.5 | 196.4\% | -1.0\% | 14.8\% |
| Discount Dept Stores | - CONF | ENTIAL - | -3.3\% | -2.6\% |
| Drug Stores | 37.3 | 1.1\% | -4.1\% | -9.8\% |
| Electronics/Appliance Stores | 91.1 | 6.6\% | 5.4\% | 2.4\% |
| Family Apparel | 67.2 | -6.6\% | -9.1\% | -3.3\% |
| Grocery Stores Liquor | 112.0 | 18.4\% | 6.0\% | -14.7\% |
| Home Fumishings | 46.3 | -6.1\% | -1.7\% | 6.8\% |
| Lumber/Building Materials | 195.9 | 23.7\% | 33.0\% | 16.8\% |
| New Motor Vehicle Dealers | 498.9 | 13.3\% | 8.8\% | 9.4\% |
| Quick-Service Restaurants | 178.3 | -1.2\% | 2.0\% | 4.8\% |
| Service Stations | 367.4 | -5.1\% | 2.0\% | -1.0\% |
| Specially Stores | 52.4 | 0.7\% | -1.5\% | 2.7\% |
| Used Automotive Dealers | 55.3 | 3.7\% | 324.5\% | 11.6\% |
| Total All Accounts | \$2,693.7 | 3.1\% | 1.1\% | 3.2\% |
| County \& State Pool Allocation | \$399.7 | -31.7\% | -33.0\% | 7.7\% |
| Gross Receipts | \$3,093.3 | -3.3\% | -5.2\% | 3.7\% |

