

# Q3 2016



# City of Vallejo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Vallejo In Brief

Vallejo's receipts from July through September were 1.8% above the third sales period in 2015. Excluding reporting aberrations, actual sales were down 0.4%.

A partial remittance a year ago in new auto sales accounted for the increase in autos and transportation overall. Nonetheless, a recent opening boosted used auto returns.

New eateries in several sectors including quick-service restaurants contributed to positive activity in the restaurants and hotels group.

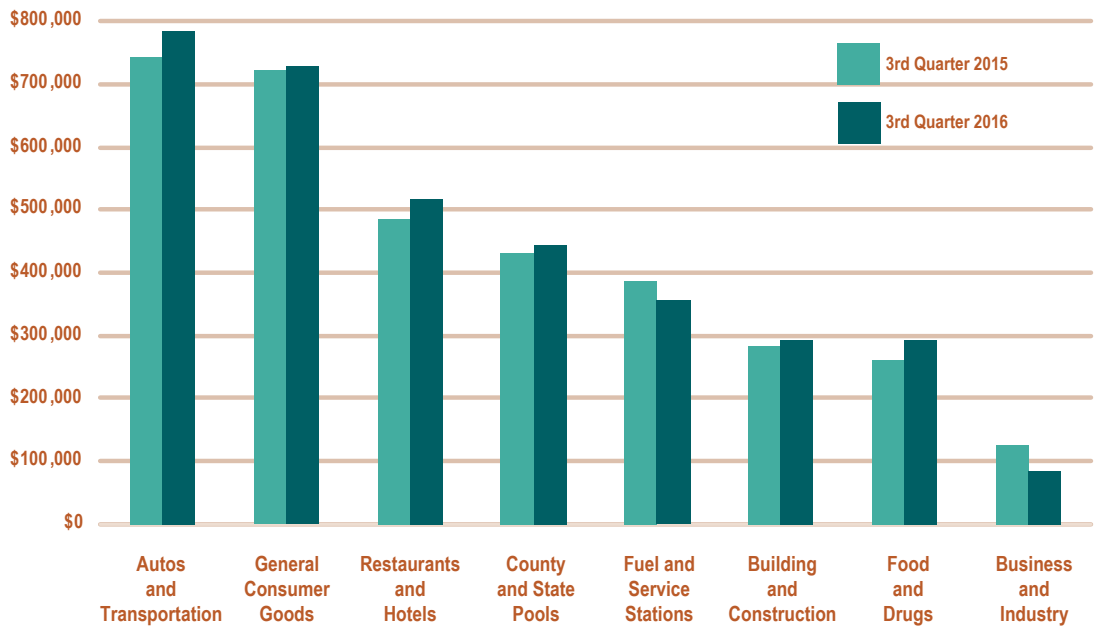
Robust performance in lumber/building materials added to building-related results while higher marijuana related receipts boosted food and drugs.

Lower fuel prices negatively impacted service stations. Multiple onetime events depressed returns in business and industry.

Measure B, the voter-approved 1% transactions tax was up 4.5% with the biggest gains in new autos and food and drugs.

Net of aberrations, taxable sales for all of Solano County grew 0.3% over the comparable time period; the Bay Area was up 2.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Ross
Autolinx	Safeway
Avery Greene Honda	Safeway Fuel
Best Buy	Six Flags Discovery Kingdom
Bonfare Market	Target
Costco	Team Chevrolet
Foster Lumber Yard	Cadillac Hyundai Mazda
Home Depot	Toyota Vallejo
Kohls	Tributary Point Arco
La Mesa RV Center	Triple A's Sporting Goods
Lowe's	Vallejo Nissan
Marshalls	Walmart
McDonalds	Neighborhood Market
Momentum Chrysler/Dodge/Jeep/Kia	

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,004,110	\$3,053,904
County Pool	430,708	442,751
State Pool	571	1,059
<b>Gross Receipts</b>	<b>\$3,435,389</b>	<b>\$3,497,715</b>
<b>Measure B</b>	<b>\$3,499,113</b>	<b>\$3,655,747</b>

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

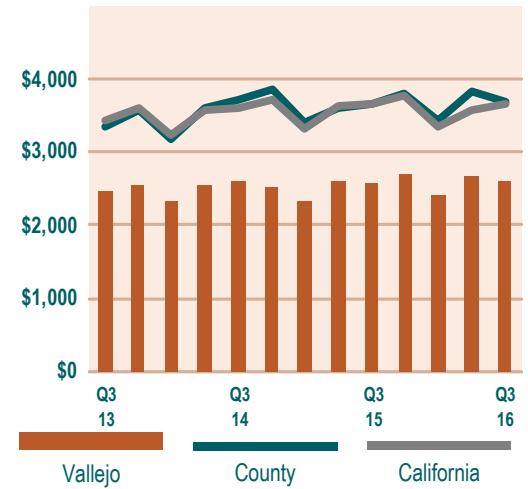
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

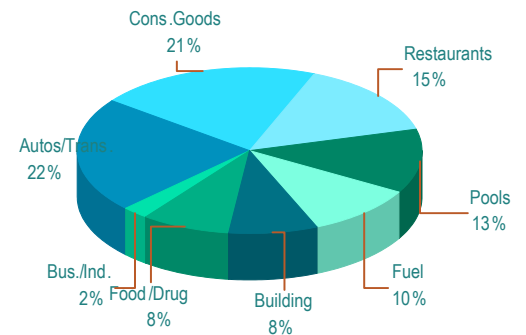
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Vallejo This Quarter



**VALLEJO TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Vallejo Q3 '16*	Vallejo Change	County Change	HdL State Change
Automotive Supply Stores	55.0	0.8%	2.4%	3.8%
Casual Dining	159.2	-0.4%	4.7%	4.4%
Convenience Stores/Liquor	52.1	4.0%	-1.1%	3.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.1%	-0.4%
Electronics/Appliance Stores	93.7	-3.9%	-2.7%	-1.5%
Family Apparel	76.8	3.4%	1.2%	5.9%
Grocery Stores	143.1	5.9%	5.0%	-2.1%
Leisure/Entertainment	— CONFIDENTIAL —	—	3.9%	1.5%
Lumber/Building Materials	231.5	9.6%	6.1%	6.9%
Marijuana Related	56.0	74.4%	81.8%	25.8%
New Motor Vehicle Dealers	514.0	3.9%	18.3%	4.8%
Quick-Service Restaurants	203.3	11.1%	10.2%	8.9%
Service Stations	356.0	-8.2%	-6.9%	-13.8%
Specialty Stores	50.0	-12.2%	-1.3%	2.2%
Used Automotive Dealers	66.6	14.1%	-25.3%	8.1%
<b>Total All Accounts</b>	<b>3,053.9</b>	<b>1.7%</b>	<b>2.5%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>443.8</b>	<b>2.9%</b>	<b>3.8%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>3,497.7</b>	<b>1.8%</b>	<b>2.7%</b>	<b>2.2%</b>