

# Q4 2016



# City of Vallejo Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Vallejo In Brief

Vallejo's receipts from October through December were 4.4% above the fourth sales period in 2015. Excluding anomalies, actual sales were up 2.3%.

A 100% increase in marijuana related sales and a large increase in building and construction receipts boosted by a sizable onetime contractor payment contributed to the increase in receipts. Steady growth in the restaurant group and the business to business sector also contributed to the overall gain.

A big increase in sporting goods was largely offset by lower sales in electronics, specialty stores and home furnishings. Overall, general retail sales posted a 0.5% increase consistent with statewide trends.

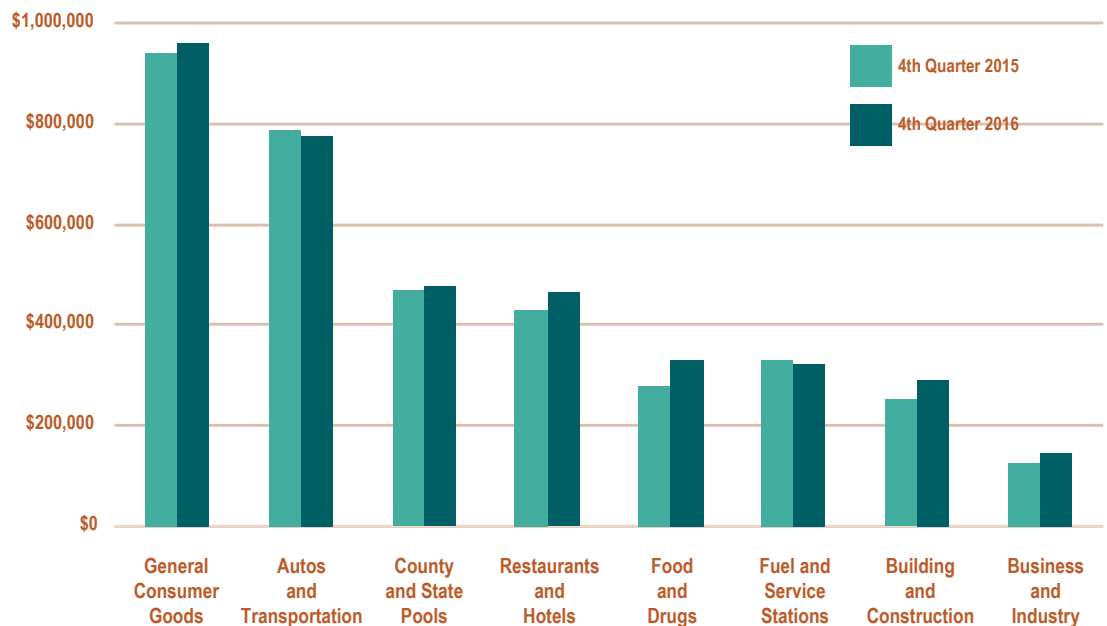
The City's allocation from the countywide use tax pool posted a modest 2.5% gain for the period.

The gains were partially offset by a 6.2% decline in new auto sales and a slight dip in service station receipts.

Vallejo's voter approved Measure V transaction tax added \$3,824,453, up 6.3% over last year. Business and industry, food and drugs, and building and construction sectors all posted double-digit gains for the quarter.

Net of aberrations, taxable sales for all of Solano County grew 3.7% over the comparable time period; the Bay Area was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                                  |                             |
|----------------------------------|-----------------------------|
| Au Energy Shell Station          | Ross                        |
| Autolinx                         | Safeway                     |
| Avery Greene                     | Safeway Fuel                |
| Honda                            | Six Flags Discovery Kingdom |
| Best Buy                         | Target                      |
| Costco                           | Team Chevrolet              |
| Earthquake Protection Systems    | Cadillac Hyundai Mazda      |
| First Capitol Auction            | Toyota Vallejo              |
| Home Depot                       | Toys R Us/Babys R Us        |
| Kohls                            | Tributary Point Arco        |
| Lowe's                           | Triple A's Sporting Goods   |
| Marshalls                        | Vallejo Nissan              |
| McDonalds                        | Walmart Neighborhood Market |
| Momentum Chrysler/Dodge/Jeep/Kia |                             |

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

|                       | 2015-16            | 2016-17            |
|-----------------------|--------------------|--------------------|
| Point-of-Sale         | \$6,140,483        | \$6,342,606        |
| County Pool           | 893,590            | 917,119            |
| State Pool            | 7,731              | 4,432              |
| <b>Gross Receipts</b> | <b>\$7,041,804</b> | <b>\$7,264,158</b> |
| <b>Measure V</b>      | <b>\$7,098,093</b> | <b>\$7,480,200</b> |

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

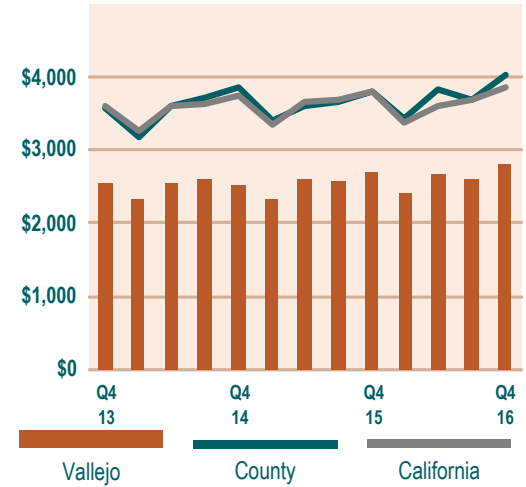
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

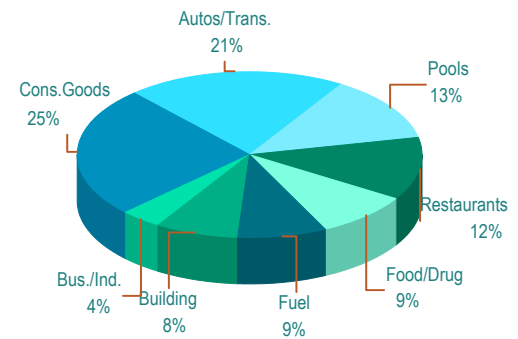
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Vallejo This Quarter



**VALLEJO TOP 15 BUSINESS TYPES**

| Business Type                             | *In thousands of dollars |                |               |                  |
|---|--------------------------|----------------|---------------|------------------|
|   | Vallejo Q4 '16*          | Vallejo Change | County Change | HdL State Change |
| Automotive Supply Stores                  | 54.5                     | 2.4%           | 4.8%          | 0.0%             |
| Building Materials                        | 217.3                    | 3.5%           | 11.6%         | 0.8%             |
| Casual Dining                             | 159.9                    | 10.5%          | 4.4%          | 2.8%             |
| Contractors                               | 66.7                     | 98.4%          | 4.1%          | -0.1%            |
| Discount Dept Stores                      | — CONFIDENTIAL —         | —              | 1.8%          | -0.6%            |
| Electronics/Appliance Stores              | 126.5                    | -7.7%          | -5.0%         | -1.3%            |
| Family Apparel                            | 95.0                     | 3.1%           | 3.1%          | 4.7%             |
| Grocery Stores                            | 155.8                    | -0.9%          | -0.2%         | 3.9%             |
| Leisure/Entertainment                     | — CONFIDENTIAL —         | —              | 8.4%          | 9.5%             |
| Marijuana Related                         | 69.5                     | 146.9%         | 141.0%        | 38.1%            |
| New Motor Vehicle Dealers                 | 532.7                    | -3.1%          | 9.8%          | 5.6%             |
| Quick-Service Restaurants                 | 202.4                    | 2.8%           | 7.2%          | 5.7%             |
| Service Stations                          | 323.3                    | -2.6%          | -1.0%         | -1.0%            |
| Specialty Stores                          | 84.1                     | -4.0%          | 1.3%          | 3.6%             |
| Used Automotive Dealers                   | 61.0                     | 2.9%           | -51.6%        | 7.6%             |
| <b>Total All Accounts</b>                 | <b>3,288.7</b>           | <b>4.9%</b>    | <b>7.0%</b>   | <b>2.4%</b>      |
| <b>County &amp; State Pool Allocation</b> | <b>477.7</b>             | <b>1.6%</b>    | <b>3.7%</b>   | <b>6.9%</b>      |
| <b>Gross Receipts</b>                     | <b>3,766.4</b>           | <b>4.4%</b>    | <b>6.5%</b>   | <b>3.0%</b>      |