

# Q4 2018



# City of Vallejo Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Vallejo In Brief

Vallejo's receipts from October through December were 7.2% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 3.1%.

Taxes due from prior periods continued to flow as the State remedied issues with its new computer system. Cannabis, used autos & service stations included catch up payments; with exceptions removed, each segment rose 10%.

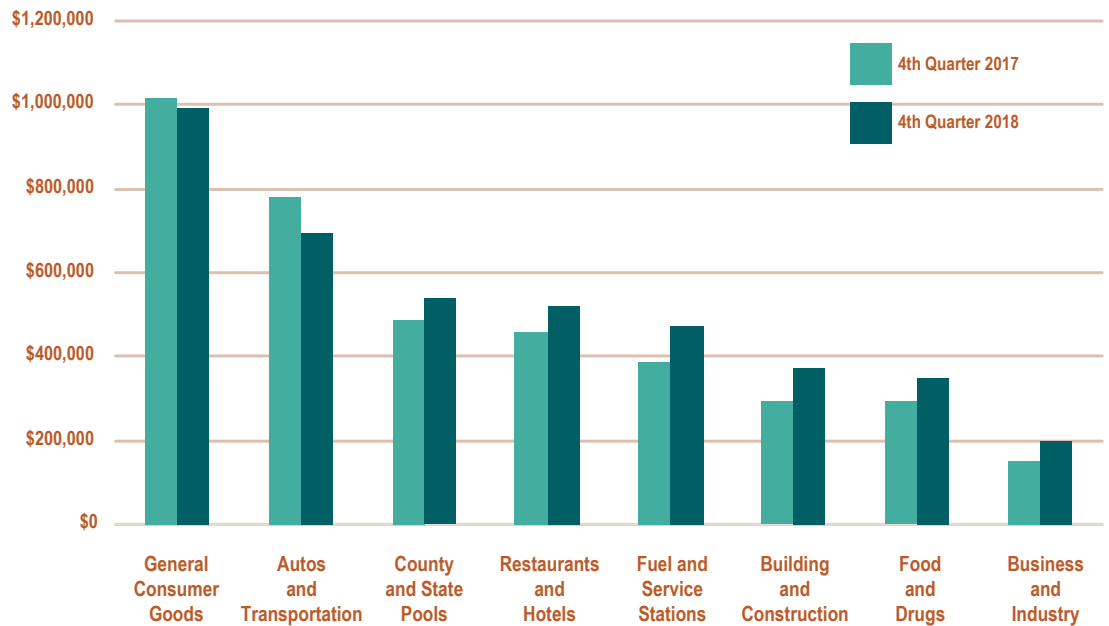
Cyclical taxpayer filing prompted the large jump by contractors. Restaurants activity climbed 4% after anomalies are eliminated; results included a new eatery. An 11% increase in the City's share of county-wide use taxes contributed to the positive outcome.

Unexpected dealerships closings coupled with diminished demand caused new motor vehicle's decline. General consumer goods were flat; some segments grew, but a retail chain ending hurt overall results.

Voter approved Measure V added \$4,262,753, up 7.9%; returns were also inflated by State payment problems. Gains were 2.6% when these are factored out. All groups posted positive increases led by building-construction.

Net of aberrations, taxable sales for all of Solano County grew 4.0% over the comparable time period; the Bay Area was up 2.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Ross
Avery Greene	Safeway
Honda	Safeway Fuel
Best Buy	Shell
Chevron	Six Flags Discovery Kingdom
Costco	Target
Earthquake Protection Systems	Team Chevrolet
First Capitol Auction	Cadillac Mazda
G & M Oil	Hyundai
Home Depot	Toyota Vallejo
Kohls	Transport Products Unlimited
Lowe's	Vallejo Holistic Health Center
McDonalds	Vallejo Nissan
Motor Coach Industries	Walgreens

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$6,582,822	\$7,288,516
County Pool	952,156	1,104,007
State Pool	3,503	3,680
<b>Gross Receipts</b>	<b>\$7,538,481</b>	<b>\$8,396,204</b>
<b>Measure V</b>	<b>\$7,709,676</b>	<b>\$8,674,618</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from solid sales of contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six-county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which was the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online retailers, driven by rapidly changing consumer buying habits, was part of the reason for weak results from brick-and-mortar stores. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

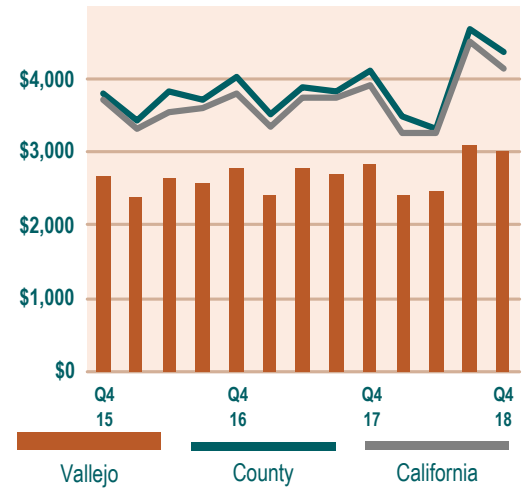
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide

more intimate shopping experiences.

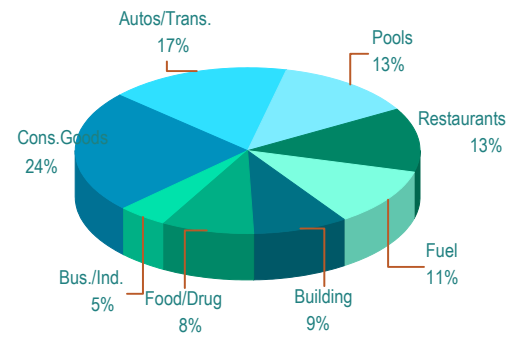
With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers." With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Vallejo This Quarter



**VALLEJO TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Vallejo Q4 '18*	Change	County Change	HdL State Change
Building Materials	257.7	3.8%	9.5%	5.5%
Cannabis Related	95.9	87.1%	117.7%	49.7%
Casual Dining	174.9	-1.2%	2.3%	2.4%
Contractors	103.6	203.8%	-22.0%	17.5%
Convenience Stores/Liquor	58.9	-7.1%	5.9%	3.4%
Discount Dept Stores	— CONFIDENTIAL —		5.2%	3.9%
Electronics/Appliance Stores	123.3	-12.8%	-12.2%	-1.6%
Family Apparel	92.4	-2.6%	-7.9%	0.4%
Grocery Stores	138.4	1.4%	0.9%	-11.7%
Leisure/Entertainment	— CONFIDENTIAL —		86.7%	3.4%
New Motor Vehicle Dealers	458.0	-11.3%	-14.0%	5.8%
Quick-Service Restaurants	247.1	8.5%	5.1%	6.5%
Service Stations	473.0	25.0%	22.6%	28.4%
Specialty Stores	68.9	-32.8%	-6.1%	-10.6%
Used Automotive Dealers	103.3	42.9%	13.8%	5.6%
<b>Total All Accounts</b>	<b>3,604.4</b>	<b>6.6%</b>	<b>6.7%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>539.0</b>	<b>11.2%</b>	<b>11.2%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>4,143.3</b>	<b>7.2%</b>	<b>7.3%</b>	<b>7.2%</b>