



CITY OF VALLEJO

FY 2021-22 REVENUE REPORT

FIRST QUARTER // JULY 2021 - SEPTEMBER 2021

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OVERVIEW

This revenue report summarizes the City's General Fund revenue for the quarter ending September 30, 2021. The purpose of this report is to provide City Council, City Management, and the Vallejo community an update on the City's revenue status based on the most recent financial information available.

The General Fund is the chief operating fund of the City, accounting for about 50% of the City's total budget. The General Fund is used to account for all financial resources except those required to be accounted for in other funds. Other funds consist of various Special Funds and Enterprise Funds. Special Funds are restricted in purpose and Enterprise Funds are comprised of user fees.

The General Fund is distinct from other funds because it is the only source of unrestricted funds that can be allocated, at the direction of the City Council, for any municipal purpose.

The charts presented in this report include year-over-year comparisons between the current fiscal year and the previous two fiscal years to show results of the first quarter of each year.

This report contains information available at the time of publication; however, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change as the year progresses.

This report is divided into three major parts. First is the overview of General Fund Revenue. The second section details the City's taxes and other revenue. The final section covers the Program Revenues with its three major revenue categories of note.

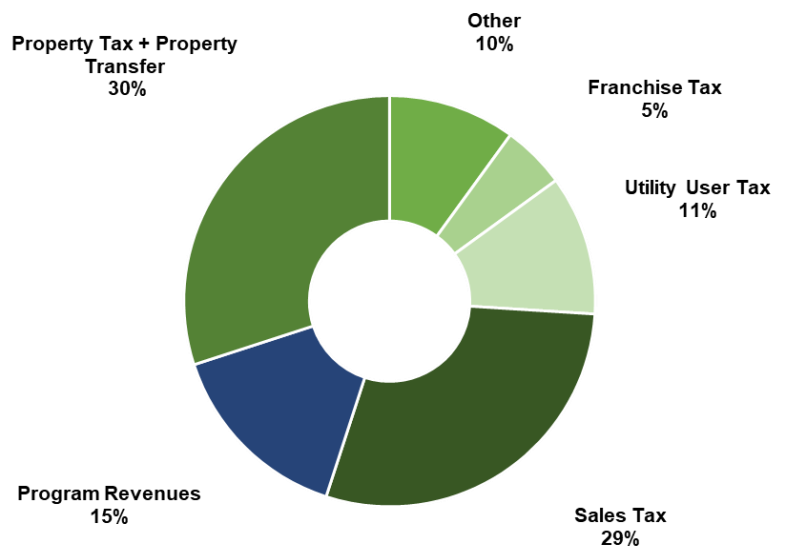


GENERAL FUND REVENUE

General Fund revenue primarily consists of taxes and program revenue. Program Revenue is comprised of various fees and grants received by the city.

The City categorizes the General Fund revenue into two big buckets. The first is the combination of taxes and other revenue, which make up 85% of the budget. The second is the program revenue, which makes up 15% of the budget.

Major sources of General Fund revenue are shown below:

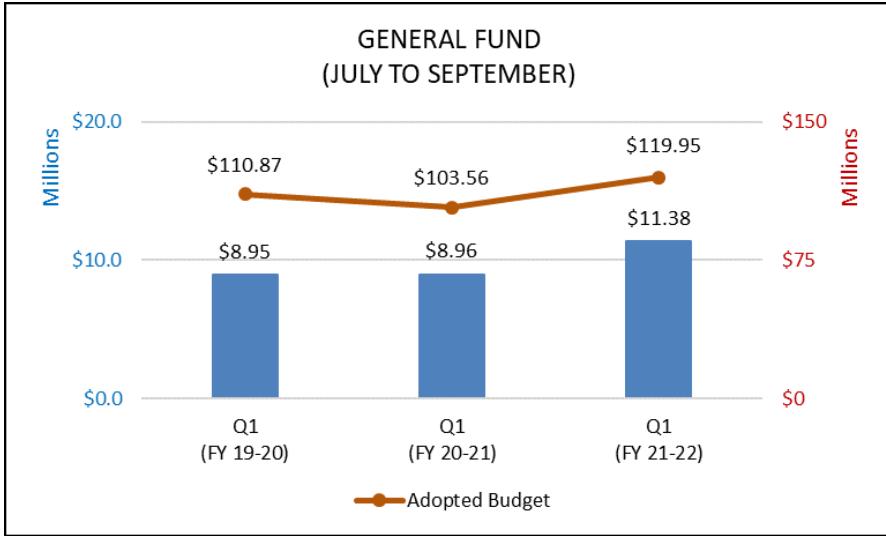


85% of the total General Fund revenue budget is comprised of the following major tax revenue sources (unrestricted revenues):

- Sales Tax
- Property Tax
- Franchise Tax
- Utility User Tax
- Other

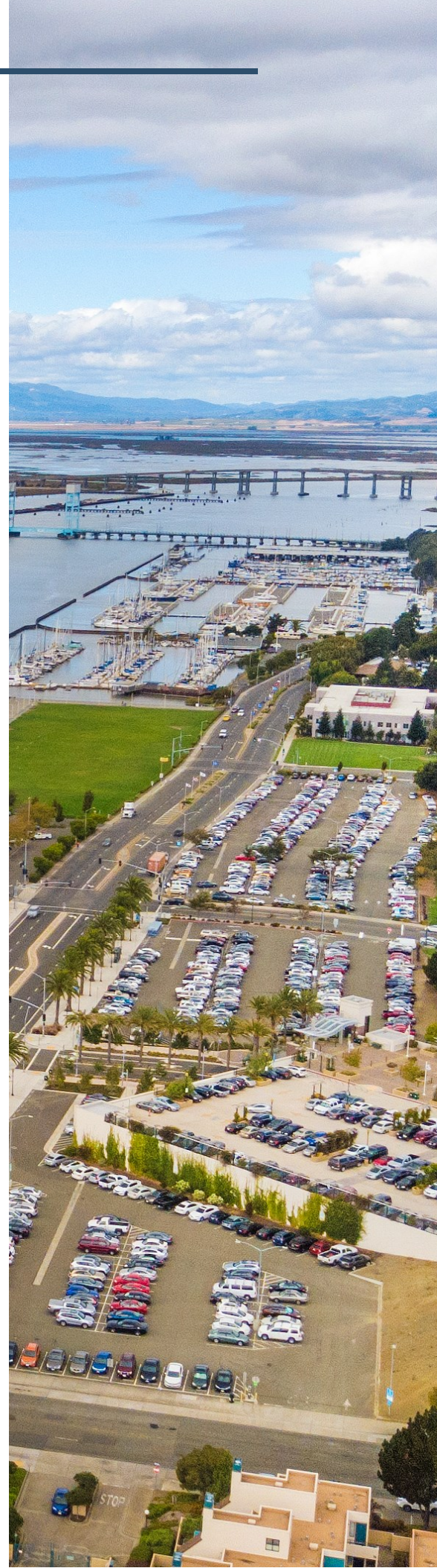
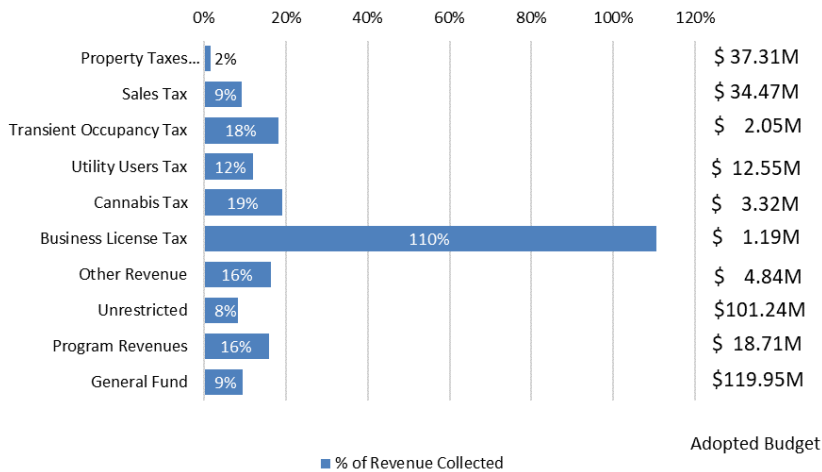
Where we are
TODAY

Overall, the City’s general revenue increased by \$2.42M, or 27%, compared to Q1 (2020-21).



The General Fund operating revenues are nine percent of the budget through the first quarter of the 2021-22 fiscal year. Property Tax, which is a sizable revenue source, is received by the City in the second and fourth quarters while Business License Fees are primarily received in the first quarter, and taper off as the year progresses.

General Fund Operating Revenues
Cumulative Percentage of Revenue Collected
(July 1 - September 30)





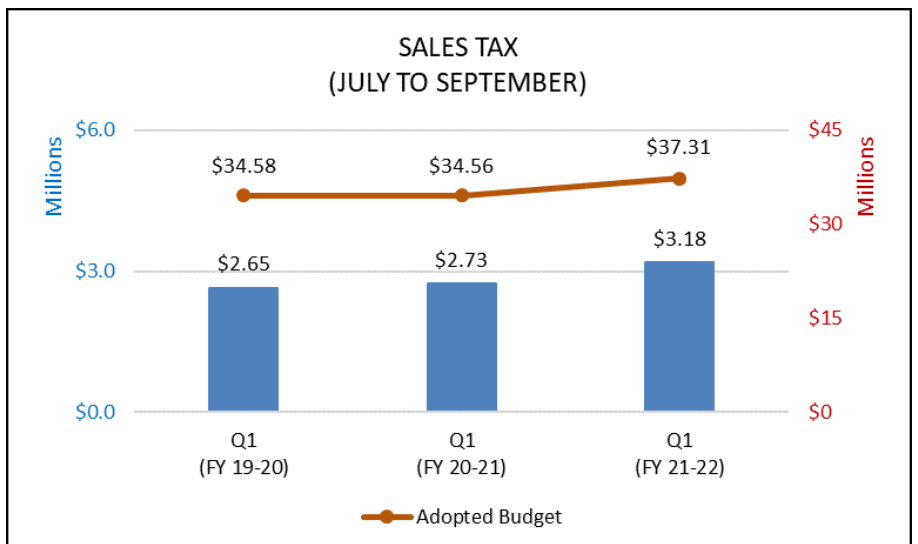
TAX AND OTHER UNRESTRICTED REVENUE

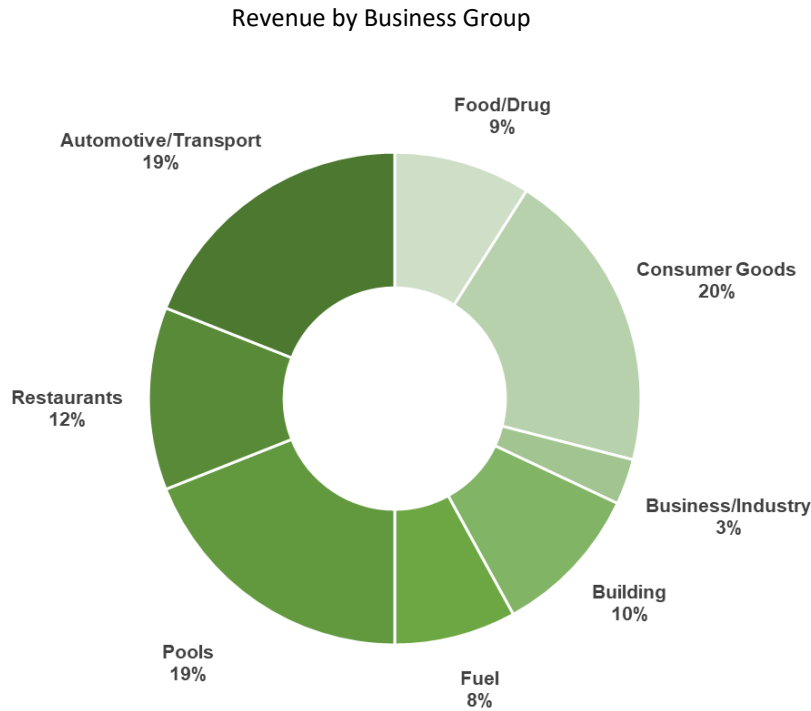
Sales Tax and Property Tax are the largest individual sources of General Fund revenues, representing a combined 59% of the total. These and other major sources of revenues are described on the following pages.

Sales Tax

The pandemic has accelerated the shift towards a more digital world and triggered changes in online shopping behaviors that are likely to have lasting effects.

The city has received \$3.18M, or 9%, of the total adopted budget. General consumer goods sales tax revenue increased by \$452,000, or 17%, versus previous year as a result of California's new online sales tax collection law, [AB 147](#), which addresses a longstanding issue with the rapid growth of online sales, and the corresponding under-collection of local sales and use tax.





Local merchant sales gains reflected significant recovery. Service stations sold more fuel at higher rates per gallon. Fully opened casual dining and quick service establishments are yielding improved numbers. The recent opening of a luxury car dealership plus substantial demand across all brands drove a momentous increase in vehicle sales.

Top 25 Sales Tax Remitters

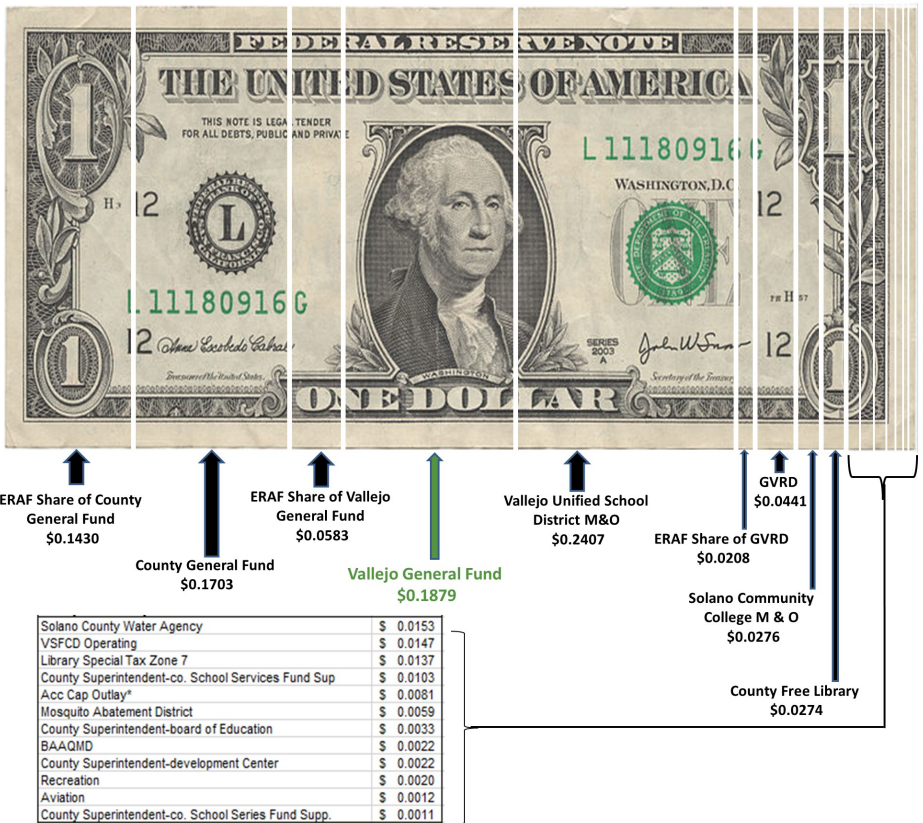
- Arco AM PM
- Au Energy Shell Station
- Autolinx
- Avery Greene Honda
- Best Buy
- Chick Fil A
- Costco
- Earthquake Protection Systems
- Foster Lumber Yard
- Home Depot
- Lowes
- Marshalls
- McDonalds
- Ross
- Safeway
- Safeway Fuel
- Six Flags Discovery Kingdom
- Target
- Team Chevrolet Cadillac Mazda Hyundai
- Tesla Motors
- Texaco Power Market
- Toyota Vallejo
- Tributary Point Arco
- Vallejo Nissan
- Walmart Neighborhood Market

Property Tax + Property Transfer Tax

Property tax is based on the assessed value of property. Due to Prop. 13, assessments may increase up to two percent each year, without change of ownership. The City receives property tax payments from Solano County three times per year: December, April, and June.

Property Transfer Tax is applied to recorded documents with a change in ownership, for example: purchases, parent to child transfer, gift on outstanding loan, etc.

Property Tax Dollar at Work and where it goes...



Franchise Tax

Franchise Tax charges are imposed on cable television, fuel, and garbage services for “rental” of City streets and right-of-way. These taxes are collected by the franchise holders based on revenues, and then remitted to the City.

Cable and Garbage franchise payments are received on a quarterly basis (October, January, April & June) and Gas & Electric annually. This revenue fluctuates year over year based on customer base expansion, additional services used, consumer rate changes and current contracts in place.

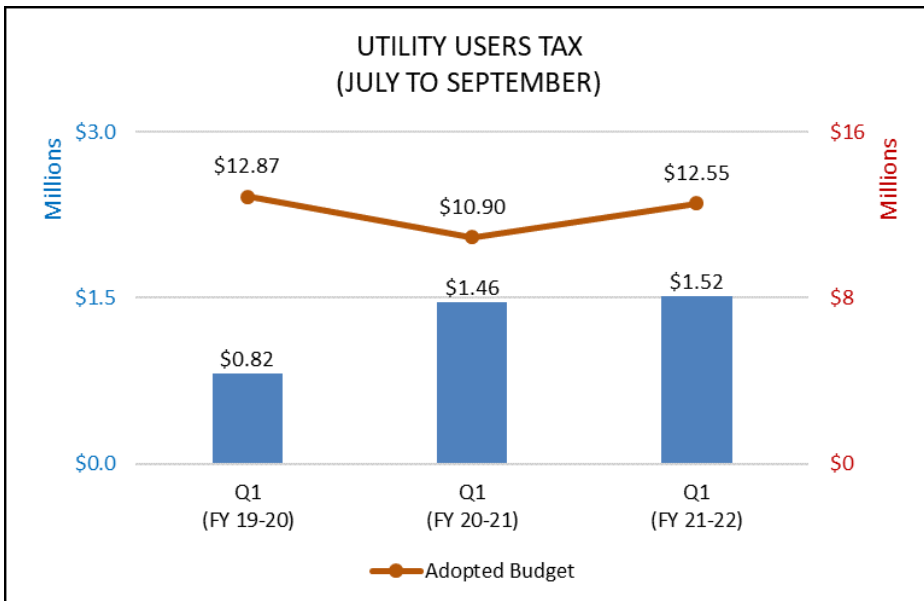
Utility User Tax

Utility User Tax generated \$1.52M, or 12%, of the adopted budget; an increase of \$53,000, or 4%, compared to last fiscal year.

Gas and Electric Utility User Tax revenue increased by \$96,000, due to remote work and school, as well as the reopening of many businesses after a year of COVID restrictions.

Cable Utility User Tax revenue remained consistent with FY 20-21, however, City staff predicts revenue decreases in the coming years due to subscribers opting for free or reduced rate online streaming platforms over traditional cable service providers.

Telephone Utility User Tax revenue decreased by \$50,000, as a result of several factors, including: market competition, fewer residents utilizing landlines, and the reallocation of bundled voice, text, and data packages from providers. These trends created a shift towards data which is not taxable.



OTHER REVENUE

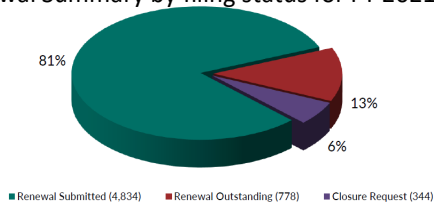
Some additional revenue sources of note are Business License, Cannabis and Transient Occupancy Tax.

Business License

The city imposes a business license tax for all companies conducting business in City of Vallejo. The majority of this revenue is collected in Q1 and consists primarily of renewals. Revenue collected in quarters 2-4 is generated by new business applicants.

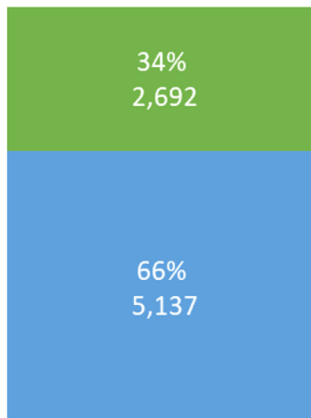
The City received \$1.31M in business license revenue, which is 10% above the adopted budget projections. When comparing actuals from quarter one of FY 20-21 to quarter one of FY 21-22 there is a considerable difference. This is a result of Emergency Order No. 20-009, which extended the business license renewal deadline from June 30, 2020 to September 30, 2020 effectively deferring payments to quarters two and three. The overall year to year revenue comparison will be much more comparable.

Renewal Summary by filing status for FY 2021-22

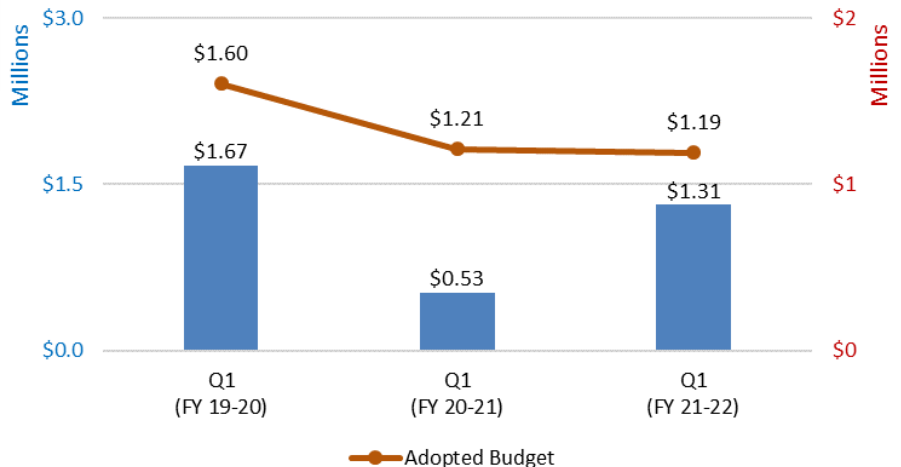


ACTIVE BUSINESSES

- Based Outside City of Vallejo
- Based Inside City of Vallejo



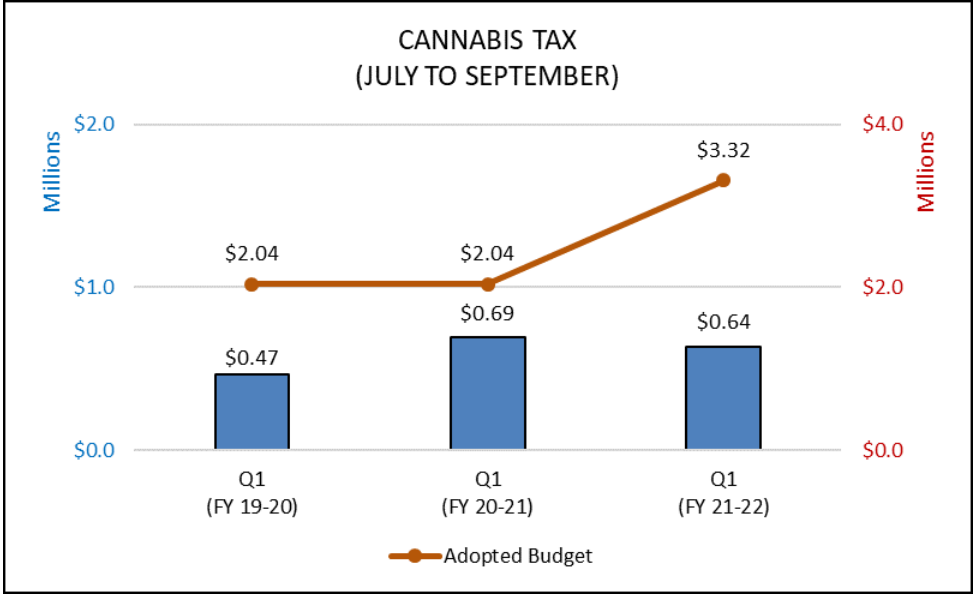
BUSINESS LICENSE TAX (JULY TO SEPTEMBER)



Cannabis Tax

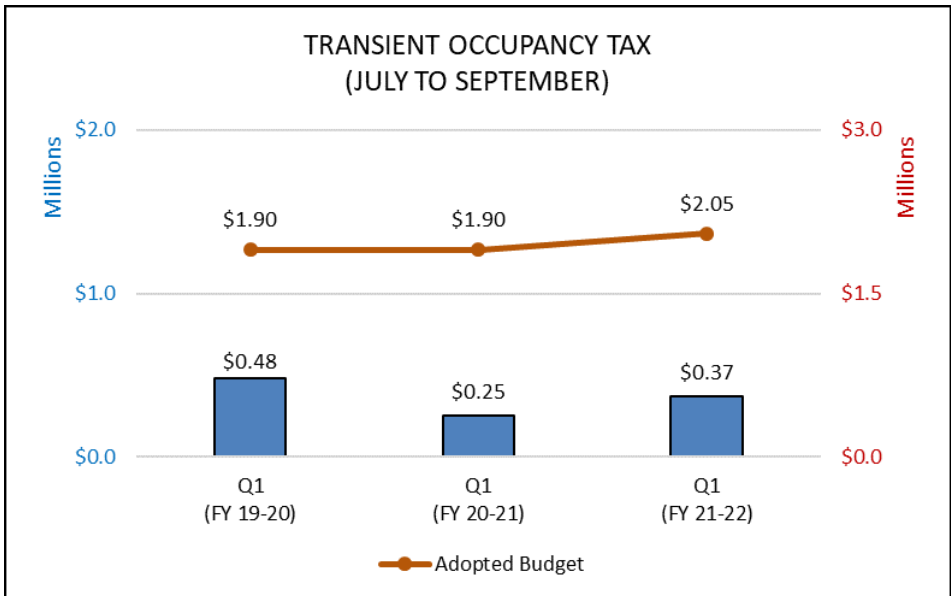
The city received \$640,000, or 19%, of the adopted budget. In FY 2020-21 as a result of the COVID-19 pandemic and the unpredictability of cannabis sales, the city kept the budget flat. As the year progressed, cannabis tax sales increased resulting in a higher estimated FY21-22 adopted

budget. However, as neighboring cities begin to open competing dispensaries, overall revenue has decrease by \$55,000, or 8%, versus previous fiscal year.



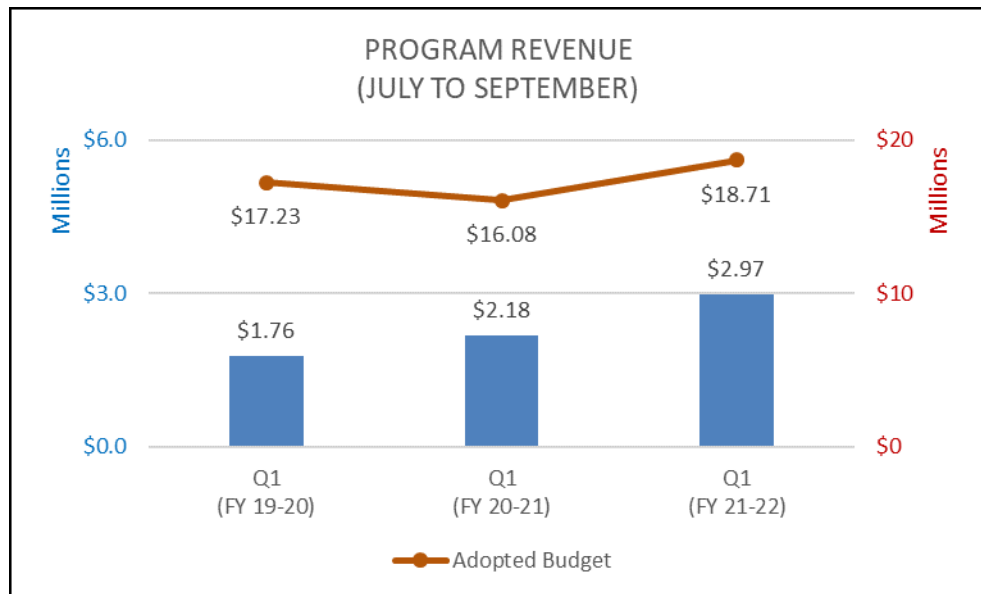
Transient Occupancy Tax (TOT)

Transient Occupancy Tax increased by \$121,000, or 48%, compared to fiscal year 20-21 and 18%, or \$370,000, versus the adopted budget. Steady growth is anticipated in FY 21-22, as hotels slowly recover from COVID-19 restrictions, and due to revenue generated by participation in Project Room Key (assisting with housing for homeless populations). TOT revenue will continue to be closely monitored as many factors contribute to the fluctuations in tourism activity.



PROGRAM REVENUE

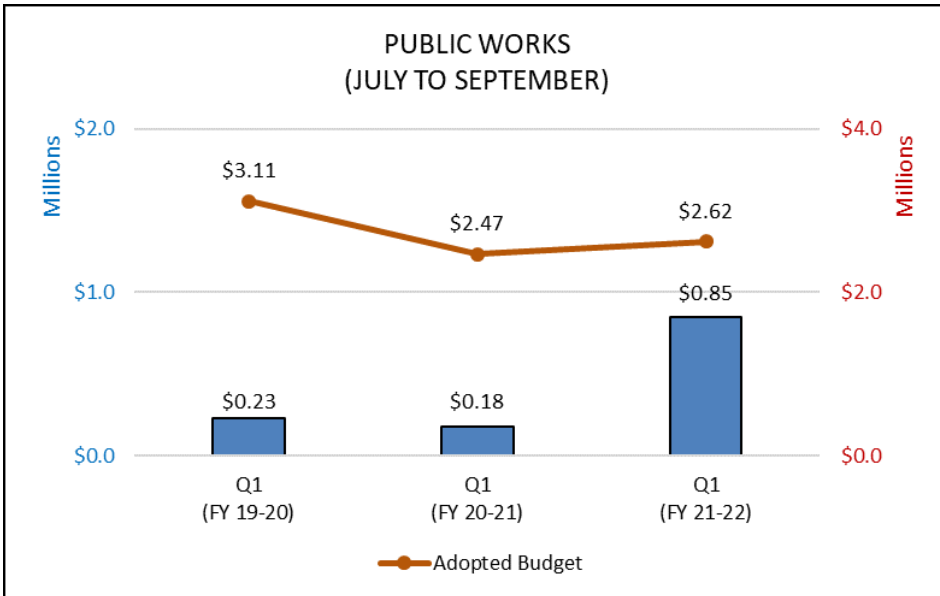
Program revenue is primarily comprised of fees collected by the Police, Fire, Planning & Development Services, and Public Works departments for specific services performed. Departments also apply for, and receive various grants to carry out tasks specific to their needs. The Staffing for Adequate Fire and Emergency Response (SAFER) to the Fire Department and Citizens Option for Public Safety (COPS) awarded to the Police Department contributed to the increase in revenue by \$785,000, or 36%, versus the prior year, or 16%, versus the adopted budget.



Program revenue of note includes revenue from Public Works and Planning and Development Services described in the following pages.

Public Works

The majority of revenue received by the Public Works Department consists of fees from [Recology](#), as well as various engineering fees. The City collects various fees from Recology to support recycling and illegal dumping mitigation. Engineering fees are charges for plan review and inspection of permitted construction activity, as well as for private development.



Engineering revenues have increased by \$664,000, or 365%, versus the prior year and 32% versus the Adopted budget. The majority of the increase is due to grading and improvement permits for various projects, including Waterstone 2, Sacramento Street PSH-Eden Housing project and dredging at the Ferry Terminal. Many construction projects have resumed as pandemic restrictions have eased and developers are taking advantage of the dry weather.

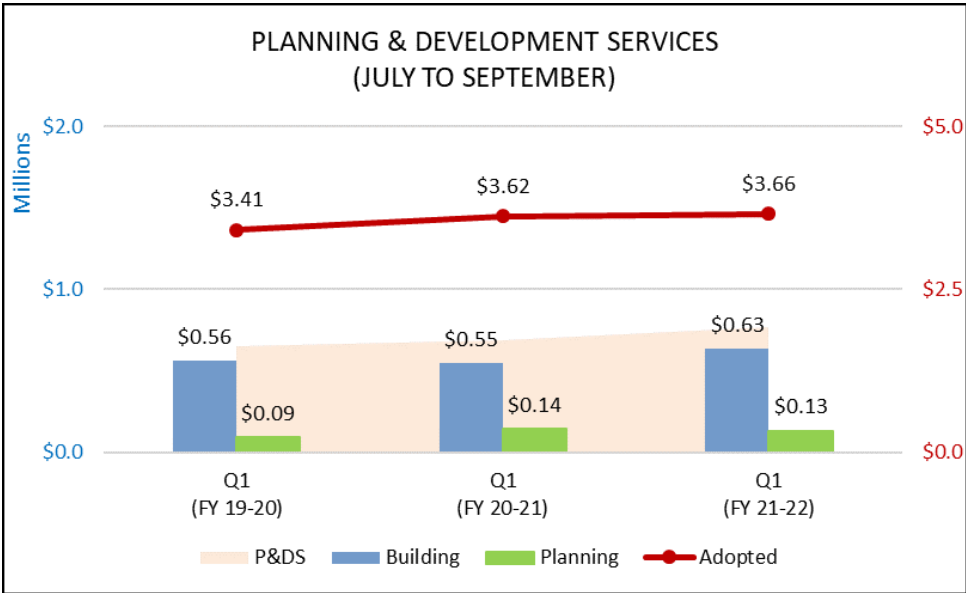


Planning & Development Services

The Planning & Development Services (P&DS) Department consists of Economic Development, Building and Planning Division.

The Building Division receives fees to administer, process, plan check, grant permits, and perform inspections, in order to enforce building codes to preserve and protect the public health and safety.

The Planning Division receives fees to update the General Plan* which partially offsets the cost of processing planning applications and the cost of guiding development through the Zoning Code, which requires various planning entitlements for development.



A timely rate fee increase, start-up of construction on hold from the pandemic and a dedicated building inspector for Building Code Enforcement accounts for the \$76,000, or 11%, increase in revenue from previous year and 21% versus the adopted budget.

The Economic Development Division (EDD) was moved to P&DS this fiscal year. Property taxes from Downtown Improvement District and Tourism Business Improvement District is received by EDD but immediately disbursed back to those districts.

*The City of Vallejo’s General Plan is a description of how the City intends to develop. It establishes the goals and policies related to the Vallejo planning area. It is used as a point of reference by public officials when making decisions on subdivisions, capital improvements, neighborhood rehabilitation and public acquisition. The plan serves primarily as a policy document, with each goal area within the Plan having several policies that aim toward achieving the goal.

CONCLUSION

Overall, the City's general revenue increased by \$2.42M, or 27%, compared to the previous quarter but received only 9% of the total projected revenue budgeted this fiscal year. This is primarily due to delayed revenue collection from the State and County for Sales and Property Tax. The City is trending on par with the adopted budget projections. The Q2 report will include the additional Sales and Property Tax collection which will provide a more complete picture of the City's revenue trend.

This is a summary of the City's Quarter 1 revenue from July 1, 2021 through September 30, 2021.

For additional details and questions, please feel free to email City's Finance Department at finance.dept@cityofvallejo.net





CITY OF VALLEJO // FINANCE DEPARTMENT

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